

Internal Vulnerability Analysis and Measures for Private Rentals — COVID-19 in Hong Kong as an Example

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doi:10.56397/JWE.2023.12.07

Abstract

The private rental housing sector is relatively underexplored due to its limited scale. Most research on the tenancy sector focuses on communal renting and owning tenure methods, with even less research on their vulnerability. As a region with relatively high rents in the world, private rental is one of the main forms of housing in Hong Kong, but COVID-19 has had an impact on the industry. Since the leasing industry is greatly affected by government policies to a certain extent, the policies proposed by the Hong Kong government on private leasing during the epidemic have less impact. Therefore, it is of research significance to explore Hong Kong's private rental market during the epidemic and propose policy solutions. Therefore, this paper delves into the intrinsic vulnerabilities characteristic of private rentals vis-à-vis alternative tenure rights. It will conduct a vulnerability analysis grounded in the three dimensions of society, economy, and resources, employing the COVID-19 crisis in Hong Kong as an illustrative case study to elucidate the amplification of vulnerabilities during this epoch and to propose pertinent policy interventions. This research seeks to furnish housing administrators with a deeper comprehension of the prevailing issues in the private rental sector, and the policy recommendations advanced during the pandemic are envisaged to make a constructive contribution to the broader field of urban health management.

Keywords: private renting, internal vulnerability, COVID-19, rent policy, Hong Kong

1. Introduction

The outbreak of COVID-19 has had a huge impact on the global economy and social life. The Hong Kong rental market has also been significantly affected during this period. As an important form of housing, private renting has internal vulnerabilities compared to other rental methods, which have been exacerbated during the epidemic. Therefore, it is of great research significance to analyze the internal vulnerability

of private renting and propose corresponding possible policy solutions.

2. Literature Review

As one of the important housing models, private rental has long been concerned by housing researchers. However, with the development of society, people are paying more attention to the housing quality of private rental housing, that is, its internal vulnerability. Hong Kong is one of

the global housing prices. In areas with high housing costs and small housing area per capital, the private rental industry occupies a representative position. COVID-19 spread at an alarming rate in Hong Kong in 2019-2023, becoming one of the larger urban areas with the highest number of confirmed cases. One of the most vulnerable housing types to become a hotspot for the spread of COVID-19 is rental housing. Therefore, paying attention to the vulnerability of the private rental industry is conducive to improving housing standards, and conducting research on COVID-19 is of constructive significance to the prevention and control of infectious diseases for residents and managers of private rental housing.

Domestic and foreign scholars have always had many different views on the definition of private renting and internal vulnerability. Experts do not have a formal definition of tenure, but define tenure based on popular understanding, statistics or legislation. (Kath Scanlon & Ben Kochan, 2021) And there is little research on the internal vulnerabilities of the private rented sector. Little has been written about private rental housing and relatively little data and analysis exists to draw from. This is partly a consequence of the small size of the sector, as well as the concentration of socio-political, economic and policy analyzes on the other major housing sectors namely public renting and home ownership. (Adrienne La Grange &

Frederik Pretorius, 2002) Broadly speaking, most studies focus on the political economy of landlordism, drawing on aggregate (national-level) data. They pay scant attention to micro-level dynamics, downplaying important socio-spatial patterns and trends. (Cody Hochstenbach, Barend Wind & Rowan Arundel, 2021) I D M F Septanaya used quantitative analysis in 2021 to derive an index of vulnerability levels of public rental housing in each region during COVID-19, So that governments can effectively allocate resources to address prevention, mitigation, treatment and recovery. Wang Yan, Fang Chuanglin, and Zhang Qiang proposed an analytical framework for urban internal vulnerability from four aspects: resources, environment, economy, and social development in their 2013 Review and Prospects of Urban Vulnerability Research.

With the study of vulnerability in various disciplines, various analytical frameworks have emerged. This report views 'vulnerability' as enhanced risk of harm. (Cody Hochstenbach, Barend Wind & Rowan Arundel, 2021) In this paper, the research type framework of types of urban vulnerability research (Wang Yan, Fang Chuanglin & Zhang Qiang, 2013) will be combined with the framework of PAR model (Blaikie et al, 1994). This paper proposes an analysis of the internal vulnerability of private leasing from three aspects: social, economy and resources.



Figure 1. Types of urban vulnerability research

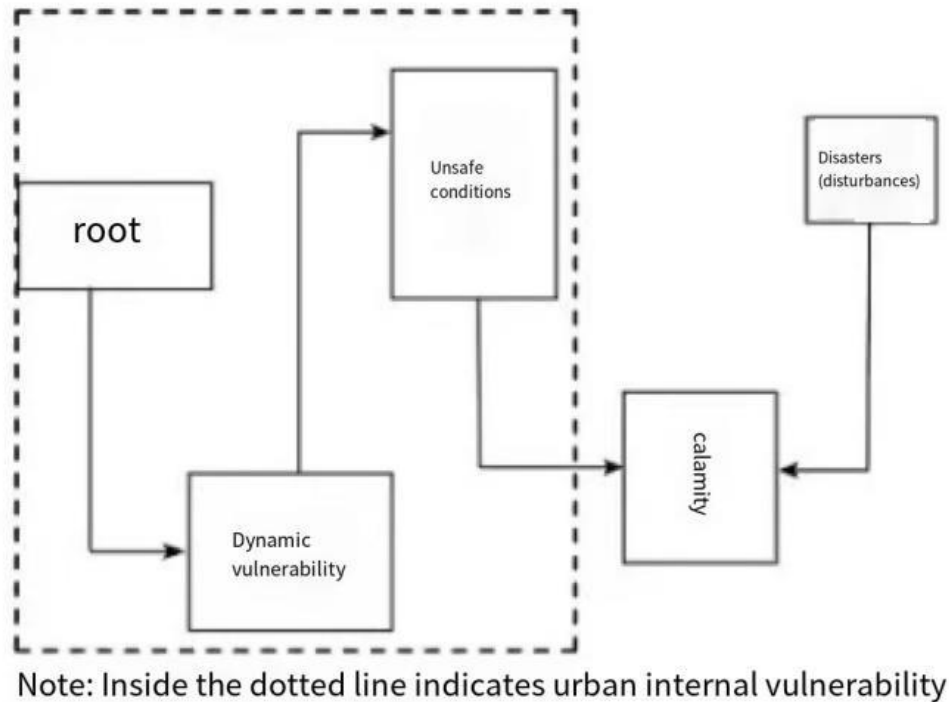


Figure 2. Framework of PAR model

3. The Internal Vulnerability of Private Renting, Compared with Other Tenures

3.1 Private Renting Features

The most important role of private renting in the modern housing system is to provide flexible accommodation for young people and various mobile populations. For people, owning creates huge expenses and costs and often chooses to stay for a long time. Public rental is subject to government control, high occupancy requirements and can not be replaced at will. On the other hand, private rental is diversified in terms of time, place, size and type of house. Therefore, compared with other tenures such as public leases and ownership, private leases are more flexible. But it also has vulnerabilities, such as the impact of housing prices, lack of regulation and so on.

3.2 Society

In terms of the **maintenance** of private rental housing facilities, the maintenance method in most countries is mainly chosen by the landlord. For example, in Hong Kong and the UK, most private landlords choose to maintain their own assets or hire real estate agents or property management companies to maintain them. As a result, some private landlords may have

insufficient investment and low maintenance efficiency in the maintenance and repair of their houses out of interest considerations. New residential public areas are generally responsible for the property management company, but in the old building with many tenants, the maintenance level of public areas is low. Therefore, the quality of maintenance management varies hugely but is often regarded as substandard. (Kath Scanlon & Ben Kochanand, 2011) The quality of facility maintenance is greatly affected by the level of property management company, house age and landlord management style, while the level of housing facility maintenance greatly affects the live quality of renters. However, public rentals will be managed with government assistance. For example, the Hong Kong Housing Authority must subsidize the operation of building management and maintenance facilities. (Housing Branch, Government Secretariat, Hong Kong Government, 1997, p. 26).

In addition, some landlords of private rental houses may be negligent in management, which may lead to **safety** hazards, such as aging power lines and incomplete fire protection facilities, which pose potential threats to tenants' life safety. At the same time, the irresponsible

behavior of some tenants to the house, destructive use or abnormal use of some facilities, such as the renovation of the circuit, will have a long-term security risk to the house.

The internal vulnerability of private rentals is also reflected in the **social security** of rental rights. Compared with public renting, private renting often lacks clear legal protection and mechanisms to protect rental rights. Some private landlords may arbitrarily raise rents, require tenants to move out, or not honor rental contracts for various reasons. This uncertainty prevents tenants' rights from being effectively protected and increases tenants' risks and uncertainties in the rental process.

The population in private rentals is highly mobile and has a large population base, which brings with it internal vulnerability of **health** problems. For short-term rentals, tenant turnover is fast, landlords cannot fully understand the private health issues of renters, and few countries have health regulations for rentals. If the landlord cannot handle the property when the tenant changes, it will lead to the spread of infectious diseases and other health problems. Group renting, a rental method with a small population density, will lead to the

spread of diseases and endanger urban health if there is no standardized control. Public rental housing and other forms of living have more complete management forms such as population density and health standards.

3.3 Economic

Real estate cycles are volatile and often driven by supply and demand. Rents in the private rental market may fluctuate due to fluctuations in market supply and demand. There are risks for both landlords and tenants. For landlords, rent instability can lead to uncertainty about rental income, making it difficult to plan and manage properties. For tenants, rental instability can lead to excessive rent burdens. According to the *Fanning 2007 Economic Cycle and Real Estate Cycle Change Chart*, it can be concluded that the real estate cycle and the economic cycle usually do not fluctuate at the same time. When the real estate growth fluctuation speed is greater than the economic cycle growth fluctuation speed, the income level of tenants will be difficult to afford high rents. There is no such risk in owning. The price fluctuations of public rentals are controlled by the government, and there will be no situation where the rent level is greater than the income level.

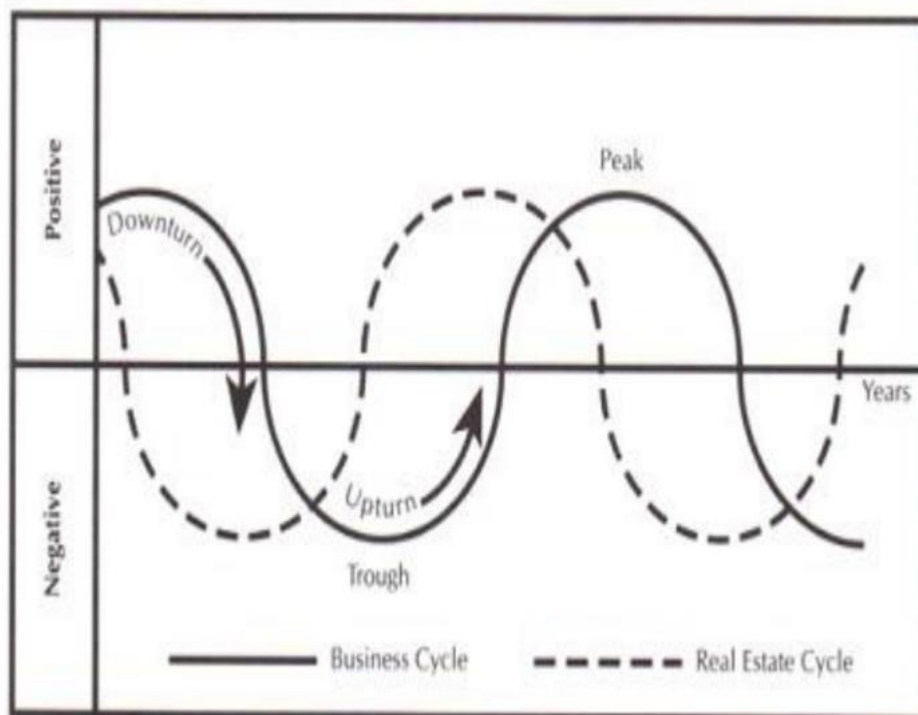


Figure 3. Economic Cycle and Real Estate Cycle

At the same time, the demand for private rentals is greatly affected by the supply of other rental

methods. When the government innovates rental policies, such as the Hong Kong government increasing the number of public housing and transitional housing, it will hit the private rental industry, leading to a decline in rents and industry internal fluctuations. For example, Singapore's rental system is dominated by public rentals, and the demand for private rentals is relatively small.

3.4 Resource

Renters in private accommodation have internal vulnerabilities in their use of city resources. Private renters do not enjoy the same rights as owning. For example, children of renters in China cannot enroll in surrounding public schools under certain circumstances. It also cannot have more supporting resources and facilities like public rental housing. Therefore, private renting enjoys less resource use rights in the city than other forms of living.

4. How Private Renting Vulnerabilities Are Exacerbated by COVID-19 (Case Study of Hong Kong)

4.1 Society: Increased Risk of COVID-19 Transmission

In I D M F Septanaya et al, (2021) Vulnerability assessment of public rental housing residents in facing the risk of COVID-19 transmission (Case study of Surabaya), it was concluded that the Dupak Bangunrejo Rusunawa area was affected by high occupancy rates, coupled with cramped units and overcrowding. Residents are classified as the most vulnerable group at risk from COVID-19, with a vulnerability assessment of 67.90. Of all the variables tested, the occupancy rate was the variable with the most significant influence on the vulnerability assessment of Rusunawa in Surabaya. This means that high occupancy rates, high ageing, low occupancy of human settlements, and low levels of hygiene are all important factors contributing to high vulnerability assessments.

Hong Kong's private rental housing also faces the same risk during the epidemic. About 40% of Hong Kong's population lives in private rental housing, and the median living area per capita in Hong Kong is only 16 square meters (Legislative Council Secretariat Information Research Team, 2020) and there are many group rentals and rental models with low population density, and the population types are mixed. As a result, the disease spreads quickly and is difficult to control, resulting in a high

vulnerability level. Coupled with the lack of vacant houses to isolate patients, this resulted in some positive homeless people in Hong Kong during COVID-19, which was not conducive to the treatment of COVID-19 and also accelerated the spread of the disease. Private rental housing with low population density is usually modified by landlords with low fire protection standards (Peng Hao, 2023), such as Chungking Mansions in Hong Kong, which also has an adverse impact on the efficiency of medical emergency response.

4.2 Economic: Income Level Is Less than Rent

A questionnaire survey conducted by the Hong Kong Christian Service 2021 on citizens' income reduction and borrowing conditions during the epidemic showed that during the epidemic, nearly half (46.7%) of the respondents' household income fell, with an average decrease of nearly 40% (38.3%). Some people also face career problems. The rental index fell to 180.3 in the third quarter of 2020, 9.2% lower than the peak in 2019. (Legislative Council Secretariat Information Research Group, 2020) The decline in income levels is much greater than that of private rental rents degree of decline. For renters, this increases their rent burden, and many residents cannot afford the original rent during this period. Not only that, renters are at risk of eviction, and when they fail to pay rent on time, landlords have the right to take legal action to repossess the home and break the lease. This has led to social problems such as rent arrears and homelessness. These problems exacerbate the plight of renters, while also adversely affecting landlords' incomes. This vicious circle poses a threat to social stability and order.

5. Policy Solutions During the Pandemic (For Hong Kong)

5.1 Promote Housing Supply

The Hong Kong government can add a variety of rental housing types during the pandemic, such as transitional housing, public apartments for the elderly, etc.

For those whose income levels have dropped significantly due to the pandemic, or who have lost their jobs due to the pandemic, the government can provide them with transitional public rental housing. This housing can provide tenants with residences in the short term at a price lower than that of public housing rentals, to a certain extent. to solve the rental dilemma of these people.

The government should increase the number of public senior housing units during the pandemic, while improving the medical standards of private and public senior rental apartments. As people with a greater risk of infection during the epidemic, the elderly are highly transmissible, easily infected, and have a high mortality rate after infection. The government should formulate policies to regulate the population density of senior housing, improve health management standards for infectious diseases, and increase supervision.

5.2 Provide Financial Assistance and Rent Relief Policies

During the COVID-19 period, the Hong Kong government provides free basic medical care and life support to infected Hong Kong resident patients, such as free COVID-19 drugs, free vaccines, (Department of Health Center for Health Protection, 2023) and consumer vouchers distributed by the Hong Kong government. This reduces residents' living burden to a certain extent, increases residents' disposable income, and reduces residents' rent pressure. The Hong Kong government can also provide rent subsidies for private rental residents. As far as Hong Kong is concerned, the main reason for the high rent pressure during the epidemic is not the increase in rent, but the decline in per capital income due to the impact of the pandemic on various industries. The government can develop rent relief policies for people whose income has been reduced due to the epidemic. This is especially true for foreign residents who do not have Hong Kong ID, because they cannot enjoy the same welfare policies as Hong Kong residents during the epidemic, and their lives are under greater pressure. Specific solutions taken by the government can include lowering the salary tax rate for some residents, increasing housing facilities and maintenance subsidies, increasing housing subsidies, etc.

In addition to direct financial assistance and rent reduction policies, the Hong Kong government can also provide financial assistance through other means. For example, the government can promote the development of various industries and increase employment opportunities by reducing taxes and providing loan support, thereby increasing residents' income levels.

5.3 Strengthen Supervision and Policy Support for the Rental Market

The government should strengthen supervision and policy support for group rental housing, rectify or close group rental housing that does not meet safety and health standards, and ensure that the health and fire protection indicators of the housing environment meet standards. Due to Hong Kong's high population density and high rents, group rentals are an inevitable rental model in Hong Kong's rental market. Therefore, the Hong Kong government can introduce support and protection policies for group rentals and provide corresponding subsidies, tax exemptions and other preferential measures, encouraging landlords to provide up-to-code housing to renters. At the same time, the government should also strengthen the supervision of rental contracts to ensure that the rights and interests of both renters are effectively protected.

The United Nations set a set of urban indicators in 2000, that is, the housing expenditure of households belonging to the lowest 40% in an area should account for no more than 30% of household income. However, the *Hong Kong Legislative Council's 2017 rent stress test survey* report on grassroots tenants pointed out that Hong Kong residents' housing expenses account for far more than 30% of the median household income. During the epidemic, the government should increase the supervision of rents in the rental market and increase the number of tenants whose housing expenses are less than 30% of their household income.

The government can relax public rental housing policies during the epidemic. Compared with private rentals, public rental housing is more stable in terms of population mobility. Therefore, the government should increase the supply of public rental housing during the epidemic and relax the application conditions so that more residents can enjoy the benefits of public rental housing. This can not only alleviate the economic pressure on low-income families, but also help reduce the flow of people, thereby reducing the transmission channels and reducing the risk of epidemic spread.

5.4 Establish Isolated Rental Housing in Each Area

The Hong Kong government should establish self-funded isolation rentals in various regions for patients and high-risk individuals to rent for short-term stays. On the one hand, this is because Hong Kong's public isolation housing was in short supply during the epidemic and

could not meet the needs of patients. On the other hand, the Hong Kong government requires people returning from abroad to stay in home quarantine for 14 days during the epidemic, which increases the risk of disease infection for residents in the same house. The risk can be reduced by providing 14-day short-term rental housing. At the same time, the government should strictly require the health standards of its housing and provide high-quality medical services.

6. Conclusion

In conclusion, when juxtaposed with alternative ownership models such as public leasing and homeownership, private leasing exhibits inherent fragility. A comprehensive analysis of societal, economic, and resource dimensions unveils specific vulnerabilities intrinsic to private leasing. Socially, these vulnerabilities manifest as disparities in housing maintenance quality, inadequate safety standards, absence of robust legal and rental rights protection mechanisms, and heightened disease transmission risks. Economically, the instability of rental costs vis-à-vis income levels, coupled with competition from other leasing methods, prevails as a primary concern. In terms of resources, private lessees are bereft of equivalent social welfare and resource access in comparison to other tenure holders. The case of Hong Kong accentuates the exacerbation of these vulnerabilities, even as the COVID-19 pandemic led to a reduction in private rental rates. On the economic front, diminished per capita income has impeded residents' disposable income, amplifying rent-related pressures. Societally, private rental housing in Hong Kong has registered elevated vulnerability indices concerning disease transmission, signifying an augmented risk in this regard. In response to these heightened vulnerabilities, recommendations for policy interventions by the Hong Kong government are proffered. These include diversifying rental options, implementing direct and indirect economic support, enacting rent relief policies, bolstering oversight and policy backing for the group rental market and private rental rates, as well as the establishment of dedicated rental housing in various locales. These measures are designed to curtail urban disease transmission pathways, mitigate disease transmission risks, and fortify disease management, ultimately enhancing disease prevention and control efforts.

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