

Looking for big ‘fry’: The motives and methods of middle-class international property investors

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Abstract

Anxieties about the effects of international property investment in world cities like London have mainly focused on super-rich investors and corporate vehicles that have generated price inflation of assets and accelerated exclusion from an already expensive market. In fact, many international investors in the city’s housing market are middle-class individuals, and focusing on Hong Kong as an emblematic example of such processes, we examine their motives and the products offered to them by important investment intermediaries. We find that an important rationale for these investments lies in local class-based uncertainties and existential anxieties concerning the future of Hong Kong itself. We focus on the cultural roots of these investor rationalities but also consider the role of investment intermediaries who have helped bolster confidence while shielding investors from the consequences of their aggregated market power – concerns in London over household displacement from foreign investment. We suggest that what may seem to be the predatory search to ‘fry’ property (炒樓), a Hongkonger colloquialism referring to the search for high performing investments, should also be understood as actions anchored in and generated by the habitus of the Hong Kong middle class whose lives have been moulded by historical geopolitical uncertainty and worries about its longer-term social positioning and security.

Keywords

anxiety, Hong Kong, housing market, housing tenure, London, property wealth

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Introduction

The uncertainties of investments in the built environment following the global financial crisis and the constitution of trading blocs and international economic systems have generated profound benefits for those cities

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perceived to be sites of stability and security. For those key cities offering stable environments with good prospects for capital investment, the result has been the attraction of substantial transnational investments to London and other cities in which wealthy individuals have purchased residential properties at prime locations (Atkinson et al., forthcoming; Atkinson et al., 2016; Paris, 2013). In many cases, asset gains have motivated these rather than habitation, using residential real estate as a 'safe deposit box' (Fernandez et al., 2016) to physically park wealth and realise its growth (Pow, 2017) or to achieve long-term security by purchasing property to rent out over long periods of time. Despite the variability of motives and impacts, foreign investment is often singled out as an underpinning factor in the development of an increasingly exclusive and excluding housing market. These issues lie behind the concerns of this article.

The purchase of prime properties by individuals from China, Russia and the Middle East has been fuelled in part by the desire to safeguard wealth in an uncertain local political landscape. The resulting internationalisation of real estate transactions ferried in by these political and economic drivers has helped to transform the understanding of 'local' real estate circulations as strongly influenced by much wider 'geopolitical circulations' (Büdenbender and Golubchikov, 2017: 89). Within the East Asian context, itself (mainland China, Hong Kong, Japan, South Korea and Thailand) the result of intensified globalisation, has been the intensification of a neoliberal 'development logic' captured by elites able to gain control of housing policy and profit from real estate (Doling and Ronald, 2014). Similarly, Rogers (2016a) has argued that with the economic rise of Asian countries such as China, their international real estate and landownership helped challenge the geopolitical primacy of the West. Among the originating

points identified by main brokers in the London market (Knight Frank, 2014; Savills World Research, 2016), Hongkongers accounted for around one in six transactions of new developments in central London in 2012 (Knight Frank, 2013). In this article, we seek to better understand the architecture of systems that enable these flows in tandem with a sociological analysis of the anxieties and dispositions of those involved, which are also important in shaping investment decisions.

Since being handed from Britain to mainland China in 1997, Hong Kong has remained a wealthy and low-tax city-state. Its robust legal and financial systems allowed the postcolonial city to thrive, becoming one of the most important *laissez-faire* global city economies. Since the creation of the Index of Economic Freedom by The Heritage Foundation and *The Wall Street Journal* in 1995, Hong Kong has ranked consistently as allowing the highest freedom of economic activity in the world (Miller and Kim, 2016), permitting, for example, the local currency (Hong Kong dollars) to be converted and freely transferred out of the city. Despite Hong Kong's relatively small population of 7.4 million (end-2016) with a landmass of only 1106 km², its economic power continues to make an impact globally upon the UK and other property markets. Behind these outward flows of money either in search of a home or purely for investment, we observe deep fears focused on political uncertainty around mainland China's relationship with post-handover Hong Kong. These fears drive the wealthier segments of the city's population to buy overseas properties, often with relocation options should local economic, civic and legal conditions deteriorate.

The fears of the Hong Kong middle classes echo existing sociological characterisations of the modern world as a space of uncertainty, and the possibility of economic

insecurity generated via personal catastrophes or potential systemic shocks in a context where the ostensible assurances of nation states have evaporated or been substantially challenged by increasing adherence to market orientations and fiscal austerity (Bauman, 2000, 2006; Streeck, 2016). Meanwhile in London, a city characterised by a lack of new housing supply alongside massive investment in top-end residences by international investors, we see the conditions investors hunger for – dramatic rises in house value and uninterrupted occupancy by tenants. Outside these circuits of investment, there is a pervasive sense of social crisis in which homelessness, long public housing waiting lists, the development of informal housing and household displacement indicate the presence of deep social stresses and inequalities in the city (Atkinson et al., forthcoming; Watt, 2016).

Average house prices in London doubled to £600,625 between 2009 and 2016 (LSL Property Services, 2016), while average salaries have stagnated. Coupled with the rising cost of living, low- and middle-income workers have moved further away from the city centre in search of affordable housing. This is beginning to affect the London workforce, noted by bodies representing business interests in the city who have come to see housing affordability as an increasing potential levy on them through pressures on wage costs demanded by struggling workers. A 2014 report on housing compiled by a major business membership group, construction consultancy London First and Turner & Townsend, highlighted concerns about the prospect of a reverse brain drain of skilled workers leaving the city for more affordable locations that presaged the anxieties of a future Brexit:

Many London employees would currently consider leaving the city to work elsewhere due to difficulties with paying their rent or mortgage.

This threat is echoed by businesses, with three-quarters of those polled warning London's housing supply and costs are 'a significant risk to the capital's economic growth'. (Turner & Townsend and London First, 2014: 5)

The conditions underlying this crisis can be traced back at least as far as the introduction of the Right to Buy scheme in the 1980s that allowed council tenants to purchase their homes from the state at a discount (Forrest et al., 1999). This created a shortage in public housing with a knock-on effect in the availability of rental market properties relative to a diminishing supply through construction by local authorities. A combination of the presence of very highly paid City workers and long economic boom from the mid-1990s until the start of the crisis in 2008 saw further rounds of housing asset rises. More recently, we have seen the approval of private residential developments by various boroughs in London with little or no affordable component in recent years, and foreigners bought around 75 percent of new homes in the inner London boroughs in 2012, with buyers from Hong Kong, Singapore, mainland China and Malaysia accounting for more than half of those (Knight Frank, 2013). Furthermore, nearly half of properties worth more than £1 million were bought by non-UK citizens in the same period. London is thus positioned as offering good prospects for personal wealth creation. As we discuss later, London enjoys a feted status among the Hong Kong middle class as a city capable of relieving some deep-seated anxieties surrounding their social, economic and familial futures.

Our research draws on data obtained from interviews with private investors, estate agents and town planners, as well as a systematic analysis of advertisements published in Hong Kong newspapers and online marketing materials. The structure of the article is as follows. In the first section, we consider

the existing evidence on international housing investment in London and discuss the economic history of Hong Kong to explain how citizens have accumulated wealth to invest in global properties. The article then details our research approach to interviews and materials published in both Chinese and English. Here we also suggest the critical importance of grounded and linguistic insider knowledge to understand Hongkongers' social status, anxieties and investment strategies. The article concludes by highlighting the main reasons for the flow of capital from Hong Kong to the UK's property market and the intermediaries involved in the process. We close with an analysis of the relationship between the distinctive confluence of global, national, city and social factors generating spurs to international investment by a periodically worried and status-conscious class fraction.

Transnational elite and middle-class investment in London

In recent years, wealthy and transnational wealthy elites (often captured conventionally as high net worth individuals (HNWI) and ultra-high net worth individuals (UHNWIs)) have gained attention in various popular spheres because of their financial, political influence and consumption power (Atkinson et al., forthcoming). Academic analysis on this topic gained momentum since the call by Beaverstock et al. (2004) to carry out more research on the geographies of the super-rich. Meanwhile, the global credit crunch from 2007 and the global financial crisis have led to job losses, house price stagnation and the depreciation of pension funds for ordinary citizens, including those in the PIIGS (Portugal, Ireland, Italy, Greece and Spain), the US and the UK. In comparison, the super-rich (Hay and Muller, 2012), the so-called butler class who work for them and wealth managers (Harrington, 2016)

have either been unaffected or have seen their personal fortunes and property portfolios grow significantly (Oxfam, 2016).

The continued growth of capital can be linked to Piketty's analysis suggesting that in phases when the return to capital is greater than incomes, wealth condenses to those at the top and to rentiers able to take advantage of their position. Analysis by Piketty (2014) suggests that the phase of economic growth, redistribution and collective resources in the 20th-century post-war period was an aberration relative to the course of growth in capitalist fortunes before and after. In this sense, the neoliberal phase of expanding market orientations and dynamics from the 1980s signalled an aggressive attempt by the wealthy and sympathetic governments to bolster the capture of growth by the already wealthy. In geographical terms, these processes generated significant enclaves and investments in fixed capital resources, notably homes (though latterly, also commercial property) and the creation of what have recently been identified as essentially plutocratic cities where urban governance identifies its future as being aligned with the needs of the wealthy and the need to promote capital investment (Atkinson et al., forthcoming).

Evidence of the good fortunes of the already wealthy can be seen in the annual wealth reports. For example, these suggest the number of HNWIs increased from 8.6 million in 2008 to 14.6 million by 2015 (Capgemini and RBC Wealth Management, 2015). Various rich lists compiled by media outlets including the *Sunday Times* (2016) and *Forbes* (2016) have popularised interest in the global housing market and stellar house prices in urban centres – notably London, New York and Hong Kong. This interest has also focused on the sale of prime (properties worth between £2 million and £5 million) and super-prime properties (properties worth over £5 million) that have been

left vacant with the intention of parking assets, almost exclusively with the aim of achieving capital growth. Here the phenomenon of 'lights-out London' in prime residential areas such as Knightsbridge has been seized on as evidence of the under-use of property at a time of intense housing stress for the majority in the city.

While academic discussion and the media continue to focus on how the super-rich use top-end property as a safe haven to deposit money (Fernandez et al., 2016), the operation of that niche is somewhat different for properties worth less than £2 million. For example, the transactions of many properties at the top of the market are often carried out through companies registered in tax havens, including the British Virgin Islands. However, the current debate has largely overlooked the ways South East Asian buyers from Malaysia, Singapore and Hong Kong have invested in the core market.

Examining the middle reaches of the London market, we see Hong Kong investment operating through monies invested in property, then rented as apartments in the city centre. The popular belief is that a class of super-rich Chinese investors forms one of the major groups from South East Asia investing heavily in London's housing market, but middle-class Hongkongers are also keen investors, with evidence showing that the first wave of these investments began in the early 1990s. Given a longer historical perspective, Hongkongers often act in entrepreneurial ways. Capitalist expansion started in the city-state in the 19th century, when East Asian countries, mainly Japan and China, opened to the Western-dominated world economy (Hamilton, 2006: 130). While the Japanese focused on what has been described as a 'corporatized political economy', the Chinese emphasised deal-making that often involved:

the heads of households who wanted to achieve some wealth and local renown. These

heads of households were peasants, merchants, artisans, and occasionally scholars; they were not organized as distinct classes of people; but rather they were family heads who moved into and out of ambiguously defined social and economic roles. (Hamilton, 2006: 135)

As we will demonstrate, the Chinese continue to prefer to deal with other Chinese, with deal-making being conducted through an emergent UK- and Hong Kong-based real estate business that often employs Cantonese- and Mandarin-speaking staff to assist investors from both Hong Kong and mainland China with purchasing properties in the UK. Australian and Canadian real estate firms have adopted a similar practice of hiring staff experienced with Chinese clients. Other commentators such as King (2002: 131) argue that three historical forces, namely capitalism (as a key economic force), colonialism (the application of political force) and modernity (a cultural force), have shaped Hong Kong. Focusing on colonialism, Faure and Lee (2004) point out that Hong Kong's success began when Western countries invaded China in the 19th century, and the city subsequently became part of Britain. The British established their own enclaves with Western legal systems, using specific policies regarding business regulation and company legislation (Faure and Lee, 2004: 2).

Company legislation formed much of the nascent business foundation Hong Kong's economy and allowed relative transparency and efficiency in business operations. Aspects of these legal foundations later enabled transnational property investment. As the international economy grew in the 1970s, many multinational corporations set up regional offices in East Asia, and Hong Kong became the first choice because of its well-developed legal framework and robust economic system. Other factors added to this privileged position, including the local,

educated work force, low-tax regime, relative political stability and existing links with Britain. Furthermore, the Hong Kong dollar, established in the middle of the 19th century, has been stable, pegged with the US dollar since 1972 (in 1983 the exchange rate was set around US\$1 to HK\$7.8). These economic conditions allowed various industries and businesses to grow from the 1960s, creating many wealthy industrialists and individuals. More importantly, mainland China was closed to foreign investment between 1949 and 1978, thus channelling economic activity through the territory, as Faure and Lee (2004: 5) observe: 'Hong Kong served as China's window on the world, its consumption and export being responsible for a full third of all China's foreign exchange earnings'.

In comparison to Britain (Abercrombie and Urry, 1983; Butler and Savage, 1995; Savage, 2010) and Canada's (Ley, 1996) well-defined class system based on occupation, cultural assets, consumption practices and so on, Hong Kong only began to transform into an affluent society with the emergence of the middle class in the mid-1960s as industrialisation took off (Lui, 2003). Subsequently, the notion of class in Hong Kong is largely focused on wealth alone. Only in the last two decades has this middle class begun to consider accumulating cultural capital.

In addition to being a wealthy city-state, Hong Kong's middle class has long taken pride in financial literacy. Lui and Wong (1994) point out that nearly half of the informants in their survey owned stocks and foreign currency bank accounts. Lui (1995) also argues that the Hong Kong middle class managed to generate wealth through property ownership, illustrating the resourcefulness of this group by showing that nearly all owned their own residential properties (Lui, 2003: 171). Thus, through the experience of buying and selling properties locally, many

Hongkongers became familiar with the mechanics of purchasing apartments in other parts of the world. Kan (2017) highlights earlier trends of property investment from Hong Kong to mainland China since the late 1970s and argues that the economic interactions between the two regions can be understood through the geopolitics of sovereignty and cultural identity. Similarly, research by Rogers et al. (2015) has explored the ways in which Hong Kong and Chinese investors buy properties in Sydney and Melbourne, which have been linked to affordability issues for residents. Nevertheless, real estate relations remain constituted through governments, real estate agents, financial professionals and middle-class, as well as HNWI, investors (Rogers et al., 2015: 744–745).

We can view concerted attempts at personal wealth creation as a reflection of the extent and structure of underlying political and financial influences that concern Hong Kong citizens to find a means of insulating themselves against future risks. Here, the sociological frameworks offered by Giddens (1984, 1990), Saunders (1986, 1990) and Dupuis and Thorns (1998) can be used to link homeownership and home investment strategies to deeper concerns for ontological security. The need for confidence in the continuity of the world around us, captured in notions of ontological security, relates to the physical home and its social, physical and financial insurance capacities. The need for a stable social and material environment, staging the performance of daily routines, enables us to inhabit beliefs and feelings of autonomy as well as lives in which social identities can be constructed more or less free from surveillance (Dupuis and Thorns, 1998: 29). In this context, homeownership and forms of financial investment by households are aspects of social projects designed to confer relative familial or household security in the future (Bauman, 2006). The drive to invest actively and internationally by the

Hong Kong middle classes connects to strategies deployed in an ontologically unsettled world, where regional-national politics and the potential for more compromised notions of selfhood emerge as real possibilities (Bauman, 2000) via possible future state controls and economic uncertainties.

Foreign homeownership in Hong Kong can be partly understood in personal, class-based and regional insecurities that have produced socially embedded habits of investment and financial securitisation, deploying as normative and prescribed practices. Fear and existential anxieties focused on the city-state itself, regardless of their potential fruition, propel both property and other investment decisions as well as offering a more direct form of potential escape should emigration become necessary or desirable.

Research approach

The research was performed using semi-structured interviews and participant observation at property fairs and development sites in Hong Kong and the UK. Semi-structured interviews were also used to explore the rationales and methods by which investors in Hong Kong buy properties in the UK. Participants were recruited using searches for relevant key actors and by accessing personal and professional networks that enabled snowballing techniques to elicit further contacts in what is otherwise a network with relatively high levels of secrecy and social closure.

Twenty-three in-depth interviews were conducted in English and Cantonese at Hong Kong, London, Aberdeen and Liverpool locations. Informants included investors, real estate directors, brokers, property developers; regional government strategists and town planners also took part in this research. The native language skills of the first author proved critical for accessing and developing trust with critical actors, as

well as enabling shuttling between the analysis of news media and property advertising found in both London and Hong Kong. Some informants also brought colleagues, friends and partners to take part in the discussion and gather investment trends from the researchers. Interviews were also administered with families who bought properties in the UK in the 1990s. When our participants permitted recording, interviews were transcribed (and translated by the first author when required) for a full qualitative analysis that focused on the rationales and methods of investment strategies carried out by Hongkongers and the roles played by main actors facilitating these processes.

Some participants declined to allow recorded interviews; in these cases, extensive interview notes were typed after the meeting and added to the files for analysis. A further 60 requests for interviews were made with international real estate consultants and government officials, including Members of the UK Parliament, sovereign investment funds and multinational investment firms. Representatives from various London boroughs and regional development agencies were also invited to participate; given the sensitive nature of this topic, they often declined or ignored the requests.

Finally, we attended strategic meetings and property fairs organised by property developers in Hong Kong and the UK. Some informants also took the researchers to attend property viewings and meet estate agents selling various types of homes. The analysis of materials including online newsletters, property brochures and newspaper adverts in both Chinese and English was included in the data gathering and analysis phase of the project.

On the motives of investors

Despite recent popular media coverage in the UK of wealthy investors from Russia and

the Middle East purchasing prime and super-prime residential properties in London, the history of international property investment from Hong Kong can be traced back to the late 1980s, when Hongkongers began to worry about the possible uncertainties after the impending 1997 handover. Here we offer a more detailed discussion of the three waves of investment trends, to enable understanding of these motives.

First wave: The pre-handover migration wave (buy-to-live)

The first key emigration wave began after the Sino-British Joint Declaration was signed by Deng Xiaoping and Margaret Thatcher in December 1984, creating the first main phase of political uncertainties in Hong Kong. Citizens began to relocate to other countries, including Australia, Canada, New Zealand and the US; the student protest in Tiananmen Square in 1989 triggered a second wave of emigration when the Chinese government's aggressive counter-response generated further fears. Hongkongers were concerned the Beijing government would apply similar modes of law and political enforcement to the post-handover city-state. The number of people leaving Hong Kong for residence overseas doubled between 1987 and 1990 (UNESCO, n.d.). During this period, Hongkongers bought properties with the intention of relocating, but this was also possible because many had the finances due to prevailing high savings rates among the middle classes, a point we return to later.

With the introduction of the Open Door Policy in China towards the end of 1970s that made Hong Kong the only gateway between mainland China and the rest of the world, many Hong Kong industrialists and entrepreneurs accumulated wealth through the business opportunities created. Subsequently, Hong Kong experienced its wealthiest period

amidst significant economic expansion between the 1980s and 1997. Many wealthy Hong Kong parents, concerned about political uncertainty, sent their children to be educated overseas, often to boarding schools in the UK (Jacobs, 2015) and then to universities abroad, including those in Canada, Australia and New Zealand. Waters (2006, 2010) points out that the children of Hong Kong middle-class parents have the financial means to access overseas education systems perceived as superior to those in Hong Kong.

In the early 1990s, the UK experienced a recession during which some London property developers began to seek foreign investment capital, including searching for investors from Hong Kong. The real estate market in Hong Kong was and still is more expensive than the one in London and had generated windfall gains for many in the territory. At the time, some Hong Kong parents bought properties in London for housing their children while at university, which tends to be cheaper and more convenient than renting. London-based agents exhibited their developments in property fairs alongside real estate developers from Canada and Australia in Hong Kong in the early 1990s to attract Hong Kong investors.

Some observations can be highlighted from the personal characteristics of the Hong Kong families who bought properties in London in the 1990s. Waters (2006, 2010) suggests that the desire to accumulate cultural capital is often the driving force motivating Hong Kong parents with the financial means to support their children's education outside of Hong Kong. Parents also showed confidence in the UK education system and were implicitly planning their children's future should political circumstances change in Hong Kong.

Our data suggests that the first wave of buyers mostly bought with the intention of personal use – what might be termed buy-to-live. At this stage, the phenomenon of buy-

to-let was still rare, with the occasional rental of a spare room to a child's classmate. In addition, the purchase of London residential properties suggested that Hongkongers were not averse to taking financial risks based on the kind of entrepreneurial mindset that began taking hold of the middle classes at the time. Those who managed to keep these properties subsequently saw significant capital growth in them. More importantly, the increases in rent and property prices around them virtually insulate some of our informants with adult children who currently work in London.

Second wave: 'Frying London wave' (buy-to-ry)

Since three of the most prominent Hong Kong-based tycoons, Li Ka-shing, Lee Shau Kee and Cheng Yu-tung, have amassed fortunes from investment in real estate and the stock market, there has been widespread popular focus on emulating methods for generating personal wealth in the culture of the city-state. The diffusion of norms around investment can be indexed by the participation of many Hongkonger secondary school students who take summer courses on financial investment. As one informant offered in an aside, 'Even housewives in Hong Kong can have a conversation with you about finance and investment' (11), illustrating that the popularisation of investment through various financial instruments has created wealth for ordinary people.

Despite the Hongkonger experience of earlier financial crises (in 1987, 1997 and 2003), the credit crunch of 2007 made investors much more cautious about their investment strategies. For example, the collapse of Lehman Brothers in 2008 influenced 43,000 Hong Kong investors who held 'minibonds', affecting around \$1.8 billion of investors' money (Duce and Tong, 2011). After Hong Kong investors protested two institutions,

the Securities and Futures Commission (SFC) (an independent statutory body) and the Hong Kong Monetary Authority (HKMA) worked closely with banks to ensure investors would be compensated. During this period, other investments offered a relatively poor return; the Hang Seng Index, the Hong Kong stock market, peaked at 30,468 in November 2007 but then dropped dramatically to 11,922 in March 2009. Since that time, it has never regained the levels seen in 2007. Our informants hinted at their heavy losses, with stocks bought at peak or near peak, and at their international search for investment opportunities. In this context, 'frying' properties in Hong Kong had become popular, but as the cost of properties and stamp duty increased over this post-crash period, investors sought other investment opportunities outside of Hong Kong. Another important contributing factor to overseas property investment is that banks in Hong Kong offer almost zero interest rates on money deposited, which has the effect of countering the strong Hongkonger ethics of thrift and saving rates (GfK, 2016).

Since the time of the crash, London has become an investment hotspot for several reasons. First, some investors hoped to speculate on the London property market to turn a quick profit. Second, the relative insignificance of state pensions resulted in citizens planning more extensively for retirement. Indeed, many opted for short-term poor living standards, reducing their levels of consumption to secure buy-to-let investments that insure against the risks of being financially stretched later. In other words, we also need to acknowledge how Hong Kong investors tend to own their property and seek additional properties overseas for investment purposes. This trend has often been overlooked by the existing literature on middle-class homeownership focusing on how home-ownership is a performance of

class and social mobility (Ariztia, 2014). One informant commented that her clients lived in public housing flats in Hong Kong but owned more than one overseas property:

They don't mind their living conditions in Hong Kong, they might even be living in public housing, it's not about buying for how they would want to live, it's buying purely for investment. They want to use their money for something. And a lot of investors don't really care about the look of the building or the location of it. They might care a little bit but what they're worried about is their numbers. As long as it rents out and they get a good net yield that's what they're looking for mainly. (14)

These processes connect with new patterns of tenure, ownership and identity that bridge patterns of tenure (Hulse, 2008). Other informants indicated the range of methods used to buy UK properties using capital released by the re-mortgage of their existing apartments in Hong Kong. Some even went into partnership with family members and friends to help create more stable and long-term investments. This pooling of resources echoes Hamilton's (2006) argument that the value of kinship and family has long been highly regarded in the Chinese culture, and that sometimes Chinese people do not make clear distinctions between household and business activities. This kind of business practice is sometimes described as Confucius capitalism and focuses on notions of familial and intergenerational loyalty, thrift and an ethic of hard work. While many commentators tend to believe that capitalism is a Western concept that began during the Industrial Revolution in the 19th century, others have argued that capitalism can be traced back to the Ming Dynasty (1368–1644), at which time these combinations of economic and household activity emerged. Nevertheless, summarising the behaviour of Hong Kong middle-class investors, Lui (2003) suggests that:

middle-class respondents show no anxiety about losing what they have worked for. And when asked whether they are worried that someone will get ahead of themselves, again about three quarters of them express no such anxiety. Indeed, the middle class in Hong Kong historically arose under the umbrella of the colonial rule. The middle class has prospered in a stable laissez-faire economy where competition determines one's fate. (Lui, 2003: 171)

We attended property fairs in Hong Kong organised by international real estate firms that took place in conference rooms in five-star hotels in the Central area, the heart of the financial district. These kinds of fairs tend to market properties in London. In comparison, the promotion of properties in second-tier cities such as Liverpool and Manchester took place at less expensive venues in other parts of Hong Kong, usually a showroom converted from an office space in an office tower block. Potential buyers were presented with residential developments by agents using scale models, brochures, floor plans and figures on envisaged rental yields. Such apartments are usually sold off-plan with timeframes to completion of between six and 18 months. For pure investment purposes, buy-to-let buyers often chose apartments with the highest yield, but these were also popular and usually reserved for loyal customers. One interviewee explained the kinds of investors who may buy a property in London:

If they already have children studying in the UK then yes, most likely. At the moment, the interest rate is really low; it is much cheaper than renting.

I: What if they don't have any connections to the UK?

Then it's really rare. Usually those people would have a business in London and then they would have a property as well. It's just that Hongkongers aren't that familiar with the UK market. They may buy a brand-new UK



Figure 1. A compressed urban imaginary.

property, but they wouldn't know how to buy an old property. (16)

The marketing of UK properties recently transformed and adapted to Hongkonger conceptions of residential real estate. First, properties in Hong Kong have long been sold by size measured in square feet, and UK properties are now being marketed similarly; one of our informants noted:

I think the property market may change. It used to be that this is a one- or two- or three-bedroom apartment. They didn't really have the measurement. Now they will ask for the square foot. They are slowly learning from the South East Asian market. They never really talk about the size, they didn't really talk about the kitchen and so on. If you compare the house prices, the difference is huge. (6)

Another crucial factor driving London investment relates to the kind of imaginary of the city cultivated in property advertising and the descriptions of intermediaries keen to advance the unique cultural offering and ambience of a city that many will never visit. Davies (2016) has discussed the significant roles that the networks of 'agents' or intermediaries (e.g. body guards, private tutors, estate agents, art dealers) play in acting on behalf of the wealthy individuals in the contemporary political economy. Similarly, Rogers (2016b) points out the importance of brokering agents and technologies to assist the super-rich and middle-class investors in buying properties in Australia. This was also the case for the middle-class investors in

terms of some vendors and property intermediaries who operate per a kind of script, detailing the assets and value of particular locations through effusive descriptions of London as a cultural centre.

In many cases, the imaginary and its scripting by intermediaries were further underwritten by compressing the time-space geographies of important investment locations. For example, Figure 1 shows the relative distance (with respect to time in minutes) from the property development to other important transport hubs and institutions, including London City Airport, the Eurostar terminal, the London School of Economics (LSE), King's College London and the British Library. This distillation of prime cultural, leisure and arts nodes was used to inform the cognitive geography of buyers – confirming or helping to structure their mental map of the city and its offer, either to them as potential future residents or to those who would form potential clients as tenants in purchased properties. Here we also see investment choices informed by the claim of proximity to crucial sites of consumption, such as the large-scale Westfield shopping mall in Stratford and the shopping and restaurant district in Shoreditch, also an important selling point for Hongkongers accustomed to a vibrant lifestyle.

Third wave: 'Post-London investment wave' (buy-to-let)

The use of mental maps and spatial awareness can demonstrate that the search for housing is

influenced by 'the supply in the housing market, households' preferences, and the use of information channels as well as their interaction' (Chen and Lin, 2012: 912). Since most of the properties sold to Hong Kong investors are buy-to-let, the figures on the return of investment are often more important than the location. To elaborate, it is acknowledged that buy-to-let investors are merely interested in the rental income and perhaps less emotional about the location of the property (Wallace, 2008). As for gathering information on the housing market, the availability of open data sources (such as UK Land Registry data) and social networks allows potential property buyers to build up their knowledge of specific neighbourhoods (Dunning and Grayson, 2014). However, although estate agents tend to be local housing experts 'in a position to frame the housing choices of the household by selectively revealing information and opportunities about the area and type of property requested by the household' (Dunning and Grayson, 2014: 300), our data suggests that the agents in Hong Kong who sell UK properties often have no particular knowledge of the neighbourhoods.

Although property prices in London dropped significantly in 2009, values then doubled by 2016 with the average property price now £600,625 (LSL Property Services, 2016). However, this generated new anxieties for Hong Kong investors who hesitate to invest due to the perception of risk expressed by informants of an over-valued, prohibitively

priced market: 'I think the Hong Kong investors are now thinking perhaps London is a bit too expensive to yield, give them a better yield or something you know' (8). And: 'I think one ... London say over £400,000 in properties it can be a very difficult decision; they have to think, consider. Plus, when they see something £120,000 for something, for that they would pay' (12).

In comparison to the 2016 entry investment cost that exceeds £300,000 in London, investors began to turn to northern cities such as Manchester, Liverpool and Sheffield, where starting prices were around £70,000, generating potential rental yields of between 6% and 8%. Table 1, from a newspaper advert for a Manchester development as illustrated in Figure 2, draws on these chief selling features.

Real estate agents in Hong Kong regularly inform their clients of any policy changes made by the UK government that might have an impact on investment strategies. An example can be seen through the change in the Capital Gains Tax (CGT) regime, where non-UK residents have been taxed on gains made from residential sales since April 2015. With the current Stamp Duty Land Tax (SDLT) threshold currently set at £125,000 for residential properties, this simple change made investing in northern cities immediately more attractive because many properties would not cross this threshold.

In the past, it tended to be the case that only Hongkongers who had children studying in the UK bought properties in London, but

Table 1. Key points translated from Chinese to English.

-
- Trendy apartments in the centre of Manchester
 - Ready-built apartments with rental contract are now sold in limited quantity
 - Predicted a 6 to 8% increase of property value in Manchester and the UK in 2014
 - £800 million worth of capital will flow into Manchester Airport
 - Studio, one- and two-bedroom apartments available
 - Manchester, third largest economy in the UK
 - To provide up to 70% mortgage
 - Prices starting from HK\$1,348,529
 - Fully furnished and decorated
-

Figure 2. Manchester property development.

the market has opened as developers sell new-builds in second-tier cities. According to informants, investors are currently able to buy properties in Liverpool, Sheffield, Newcastle and Manchester for between £60,000 and £150,000, and buyers here are more likely looking for buy-to-let investments. Other types of properties such as student accommodation can be purchased from as low as £30,000, with a rental yield of 10% annually. However, investors are reminded that the potential for selling the property is slim because of widespread availability.

The most recent major development, the deliberations around the UK leaving the European Union, raises new anxieties that have already had an impact on international investment flows into London. This has resulted in many Hong Kong investors re-evaluating their financial strategies. One investor pointed out that prior to the Brexit referendum, Hongkongers had invested heavily in the property market in London, Manchester and Liverpool for both rental income and capital growth. Post-referendum investors are generally divided into two

camps. The first are still willing to take risks because of the depreciation of the British pound: 'Post-Brexit the pound has dropped significantly, properties for Hongkongers have become 10% cheaper [because of the exchange rate], which has become an attractive proposition' (18). The other camp relates to the more cautious investors:

After Brexit, there are many investors in Hong Kong who now try to find out more information on buying properties in the UK, however, the politics has become unstable, the relationship between the UK and Europe has weakened, and the whole stock market has become unstable. Hongkongers may hold onto any investment plans at the moment. Short term investors may not be willing to invest ... and they will stop for a moment and have a think first. (18)

Since Britain has voted to leave the European Union, Hong Kong-based international estate agents have reported a record level of enquiries regarding buying properties in the UK. For Hong Kong investors, however, the fear and anxiety is always going to be about the overall financial situation in Hong Kong:

In terms of fear, stock market, the economy in China, share prices and the overall economy in Hong Kong. In terms of anxiety, the value of the property market in Hong Kong. Many Hongkongers can't afford to buy a property. (17)

Conclusion

While existing research and popular media continues to generalise the way that super-rich global investors buy properties in prime London locations and leave them unoccupied (buy-to-leave) for capital growth or to park assets, our investigation offers another reading of the London housing shortage that focuses on the mundane realities of investment by

Hong Kong middle-class (as well as very wealthy and lower-middle income) investors buying homes in the UK. More specifically, we introduce a typology of three investment waves to capture the nature of these differentiated patterns of investment. Perhaps of most relevance for contemporary concerns with housing and inequality in the city today is the most recent manifestation of these forms of investment with the 'frying' of off-plan properties (buy-to-fry) in London. This became an attractive proposition because the prices were relatively low and allowed investors to generate a quick profit. However, the 'post-London investment wave' began when property prices rose after the credit crunch in 2009; investors now explore buy-to-let options in northern cities including Liverpool, Manchester and Birmingham with a rental yield of up to 8%. As Harvey (2010) argues, following the 2008 crisis, the costs of tackling losses were distributed to the poor while the elite carried on to profit from the growing value of their secure assets. In the UK housing market, buy-to-let and buy-to-fry properties generated profits for investors and left a housing landscape relatively inhospitable to those in need of any form of housing.

Hongkongers buying UK properties appear driven by culturally-embedded anxieties focused on their own class position and by the possibility of future regional instabilities. Experienced through waves of financial crises, Hongkongers understand financial insecurity as transnational and unavoidable. Thinking like the super-rich, buying properties in London is a secure way to safeguard the depreciation of cash, outperform the close to zero interest rate deposits and generate a regular rental income. More importantly, some investors are not as wealthy as the popular media portray; they save hard and access loans to invest for long-term growth, sometimes with friends and family members in ways that resemble Confucian capitalism. A second type of fear arguably

runs deeper and relates to geopolitical uncertainties that peaked in Hong Kong prior to and after the 1997 handover and in the more recent Umbrella Movement, whose concerns about rights and political representation recur in recent revelations regarding the disappearances of critical book publishers from the city-state, instituted by the Chinese government. The city-state has so far experienced what might be termed the Mainlandisation of Hong Kong; the patriotic education system reform of 2013, the Umbrella Movement in 2014, and the Fishball Revolution in 2016 have all left investors feeling a sense of deep political destabilisation in the city.

Exploring the ways and means by which middle-class Hong Kong has made international property investments, we remain struck by the inextricable link between these choices from the habitus and anxieties surrounding the position of this class in city society. Worries about personal financial security into old age and provision for younger members of close-knit familial structures remain an important aspect of this story. Layered onto the concerns go a series of worries focused on existential concerns about the position of the city within the wider Chinese polity, as well as the shocks and uncertainties generated by recent and longstanding protests and political mobilisation.

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