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## The realization of class-monopoly rents

### Landlords' class power and its impact on tenants' housing experiences

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## Research Article

## The realization of class-monopoly rents: Landlords' class power and its impact on tenants' housing experiences



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## ABSTRACT

The number of people residing in private rentals, particularly in megacities, has been steadily increasing worldwide. However, a number of studies have revealed that a significant proportion of tenants endure unsatisfactory housing experiences attributed to their landlords. Drawing upon the concept of housing class and Harvey's (1979) theory of class-monopoly rent and class power, this study investigates how landlords in various sub-sectors employ their class power to realize class-monopoly rent and the subsequent impact on tenants' housing experiences. Through in-depth interviews conducted with 30 landlords and tenants representing different sub-sectors in Shenzhen, we have identified that the strategies employed by landlords are contingent upon the power differentials between them and their tenants. The wider the power gap, the greater the range of strategies landlords can utilize, leading to diminished housing experiences for tenants. Additionally, we have developed a housing class scheme in urban China, offering valuable insights into asset inequality and social stratification. By adopting a Marxist perspective, this paper contributes to the ongoing discussion on power dynamics between landlords and tenants. Furthermore, several policy recommendations are provided across different sub-sectors to rebalance the power relationship between landlords and tenants and enhance tenants' housing experiences.

## 1. Introduction

In recent years, the Private Rented Sector (PRS) in many countries has witnessed substantial growth in terms of its proportion among all housing tenures (Byrne & McArdle, 2020; Crook & Kemp, 2014; Morris et al., 2017). The PRS accommodates not only the low-income group but also those who cannot afford or do not want to buy a home, as well as young people or newcomers to the city (Van Der Heijden & Haffner, 2000; Whitehead et al., 2016). However, private tenants often have poor living experiences due to problems such as poor dwelling conditions (Soaita, et al., 2020), overcrowding (Jin, et al., 2023; Nasreen & Ruming, 2019), affordability crisis (Jin, et al., 2022; Liu et al., 2020), perceptions of insecurity (Li, et al., 2022; Morris et al., 2017), and feelings of anxiety and shame (McKee, et al., 2020). Nevertheless, far too little attention has been paid to the role of landlords in shaping renters' housing experience. Landlords in many cases have the power to evict or terminate the tenancy, set and increase rents, decide the interior design, and even regulate tenants' lifestyle choices such as pet-keeping (Byrne & McArdle, 2020; Chisholm et al., 2017; Power, 2017; Soaita & McKee, 2019). Landlords are also responsible for maintaining the property in good condition and addressing the problems that may affect tenancy (Kloos, et al., 2002). Landlords possess a considerable level of power, allowing them to exert substantial influence over the daily lives of tenants. However, the specific strategies employed by landlords to exercise their power, as well as the impact of these strategies on

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tenants' housing experiences, have received limited scrutiny in previous research.

In recent years, there has been a growing body of literature exploring the power dynamics between landlords and tenants. Notably, Chisholm et al.'s (2020) study adopts Lukes' three-dimensional perspective of power as a theoretical framework to investigate why tenants often refrain from reporting issues with their substandard housing. The study reveals that the visible, hidden, and invisible dimensions of power collectively hinder the effective expression and resolution of grievances regarding housing quality, thereby exposing the inadequacy of existing regulatory mechanisms. Similarly, Byrne and McArdle (2022) conducted in-depth interviews with tenants in the Irish private rental sector and argue that insecurity and the power imbalance between landlords and tenants are deeply intertwined. They highlight how the sense of dependency on a landlord intensifies due to a perceived lack of control over fundamental aspects such as access to a home. While these studies contribute significantly to understanding the power dynamics between landlords and tenants, neither offers a comprehensive analysis of the consequences on tenants' housing experiences resulting from power imbalances. Furthermore, they fail to examine variations among different types of landlords, leading to a limited understanding of the PRS. Importantly, both studies assume that power is unilaterally imposed by landlords on tenants, overlooking the reciprocal and dynamic nature of the landlord-tenant power relationship, which restricts our comprehension of power dynamics in this context.

This paper aims to contribute to the understanding of the tenant-landlord power relationship literature by adopting Harvey's (1974) theoretical framework of 'class-monopoly rent' and 'class power'. Departing from the conventional view of rent as a reasonable 'rate of return', Harvey argues that it should be regarded as 'class-monopoly rent' influenced by the power dynamics between landlords and tenants, reflecting the outcomes of 'class struggle'. By applying Harvey's theory, we gain a fresh perspective to examine the management practices and strategies employed by landlords and understand the significant variations in tenants' housing experiences across different sub-sectors. Building upon this framework, the paper seeks to address the following two specific research questions.

1. How do landlords in different sub-sectors exercise their class power to realize class-monopoly rents?
2. In what way do landlords' strategies to realize class-monopoly rents impact the housing experience of tenants?

This paper attempts to address these gaps using qualitative data collected from both landlords and tenants in Shenzhen, China. Shenzhen is chosen for the case study due to several reasons. First, as one of the first-tier cities in China, Shenzhen can well represent the metropolitan cities that are experiencing large population inflow and subsequent housing shortages and an expanding PRS. According to the Shenzhen Bureau of Statistics (2021), Shenzhen has a population of 17.6 million, 71% of whom are migrants. Constrained by the high housing prices and scarcity of public housing, 77% of the population lives in the PRS in Shenzhen (China Construction News, 2022). In addition, the PRS in Shenzhen appears to be more diversified than in other metropolitan cities, which allows us to have a deep understanding of different sub-markets (Li, et al., 2021).

The structure of the remaining paper is as follows: The subsequent section provides background information by discussing the historical development of landlordism, presenting an overview of the current status of the PRS, and exploring its various sub-sectors. Following that, we introduce our theoretical framework, focusing on the concepts of housing class, class-monopoly rents, and class power. Subsequently, we outline our data collection process and describe the analysis method employed. The findings of our study are then presented, followed by a comprehensive discussion and an examination of the policy implications. Finally, we conclude the paper by summarizing the key insights, reflecting on the limitations of the study, and proposing future research directions.

## 2. Background

### 2.1. The development of landlordism in China

As with many cultures,<sup>1</sup> landlords in China were once regarded as 'class enemies' for a long period. In 1925, Mao classified the landlords as "class enemies" in his influential article *Analysis of the Classes in Chinese Society*. From 1921 to 1949, land reform was implemented by the Chinese Communist Party (CCP) as a strategy to win the support of farmers for the revolution through the confiscation of landed property owned by landlords (Zhang, 1997). At that time, land reform was initiated only in CCP-controlled rural areas. With the founding of the People's Republic of China and the CCP coming into power, a nationwide Land Reform Movement was carried out between 1950 and 1953. 700 million acres of land from landlords was distributed to 300 million peasants without compensation to the previous landlords. The subsequent socialist transformation between 1956 and 1965 further nationalized the private rented housing from the landlords (Wang, 1992). In July 1964, the government officially declared that private rental housing was essentially non-existent (Chen, 2019). Until 1998, the urban housing system was dominated by public rental housing provided by work units (danwei<sup>2</sup>). In 1998, the welfare housing system was officially abolished and replaced by a market-oriented housing system. The vast majority of public rental housing was sold to sitting tenants at a below-market price. As a result, a large proportion of urban citizens became homeowners. Since then, housing has been regarded as a commodity instead of public welfare. Between 1998 and 2015, the Chinese government was dedicated to promoting homeownership as a means to boost economic growth (Chen & Yang, 2017). Due to

<sup>1</sup> In many cultures, the private landlord has always received notoriety as a 'folk devil' (Farnood & Jones, 2021). For example, Crook and Kemp (2011) described private landlords in the UK 'being almost a pariah in the 1970s'.

<sup>2</sup> Danwei refers to publicly owned organizations that employed most urban residents, including state owned enterprises, civil associations and governmental organs (Zhou & Ronald, 2017).

<sup>3</sup> Available at <http://news.dichan.sina.com.cn/2022/01/20/1283068.html>.

rapid industrialization, unprecedented income growth, education and healthcare inequality between regions, and thereby large population inflow, housing prices experienced a sharp growth in metropolitan cities. As a result, more and more households have to live in private rented housing in first-tier cities (see Fig. 1). Wang et al. (2012) pointed out that the neo-liberal approaches and policies lead to increasing gaps between the rich and the poor in urban China: middle-class and rich families managed to buy several properties while the poor could not afford even a small flat. This process has inevitably led to an upsurge in the number of individual landlords, despite the absence of official data.

In 2015, the central government finally realized the importance of the PRS and first proposed the idea of “accelerating the development of the rental housing market” (MOHURD, 2015). Developing the housing market was believed to be ‘an important element in accelerating the supply-side structural reform of the housing market and establishing a housing system that encourages a balanced development between purchasing and renting’ (NDRC, 2017). Numerous policies have been introduced to incentivize the development of the PRS from the supply side, including the requirement that all local governments set aside a specific percentage of their land for new rental housing development, promoting the conversion of commercial buildings into residential housing for rental usage and preferential tax treatment for rental housing firms (Chen, et al., 2022).

## 2.2. Current status of the PRS and its sub-sectors

Despite the government's implementation of a series of measures to regulate the development of the rental housing market, certain issues have become more prominent, including the problem of soaring rents. Since 2018, rental prices in many major cities in China have experienced rapid increases. Among the first-tier and second-tier cities nationwide, 13 cities have witnessed rent increases exceeding 20%, with Chengdu and Shenzhen experiencing rent hikes of around 30% (Yi and Zheng, 2019). In addition to skyrocketing rents, China's private rental sector also faces issues such as inadequate legal systems, poor living conditions, and a lack of protection for tenants' rights (Tian & Tao, 2019).

Yi and Zheng, 2019 argue that the root causes of these issues lie in the contradiction between the nominal public ownership of urban land and the actual control of land ownership by agents, as well as the lack of sound institutional arrangements that serve the collective interests of Chinese citizens in terms of state-owned land ownership. This lack of institutional arrangements prevents the sharing of the benefits derived from various land rights or land appreciation in the urbanization process with all Chinese citizens (Yi and Zheng, 2019). Under such a system, the agents of government have a strong incentive to expand the scale of land transactions, drive up housing prices to boost land prices, and adopt more favorable policies to stimulate residents' home purchases, making the housing market the most lucrative investment tool, thus maintaining the continuous expansion of land demand. At the same time, rural-level village organizations, acting as land agents, also have a strong motivation to develop the land they hold, leading to the prevalence of small property rights housing in China. The residents themselves are highly driven to maximize the value of their homestead land, resulting in the construction of increasingly taller and denser housing units on their properties, which are generally of low quality and informal in nature (Lin, et al., 2014; Yi and Zheng, 2019).

There is a consensus in academia that the PRS is made up of different sub-sectors in which residential conditions and target groups differ substantially (Hu, et al., 2022; Hulse et al., 2019; Rugg et al., 2002). Based on the Structure of Housing Provision developed by Ball (1981, 2017), Li et al. (2021) maintained the PRS in Shenzhen could be classified into three main sub-sectors, i.e., urban village housing, commercial rented housing, and Long-term Rented Apartment (LTRA). Urban village housing is built by villagers themselves on collective land in urban villages. The emergence of urban villages is due to rapid urban sprawl and consequent farmland acquisition by the local government. The residential lands of the villagers were reserved because of the high costs to relocate them. The local villagers are not legally entitled to capitalize on their assets through land or housing sales, so they redevelop their housing at high densities to maximize their profits by leasing the units out (Liu, et al., 2010). Most urban villages are densely populated, accompanied by inadequate lighting and poor infrastructure. Housing conditions in urban villages can be described as overcrowded and lacking basic facilities such as indoor toilets and kitchens (Wu, 2016). In comparison, commercial housing is developed by real estate companies on urban land

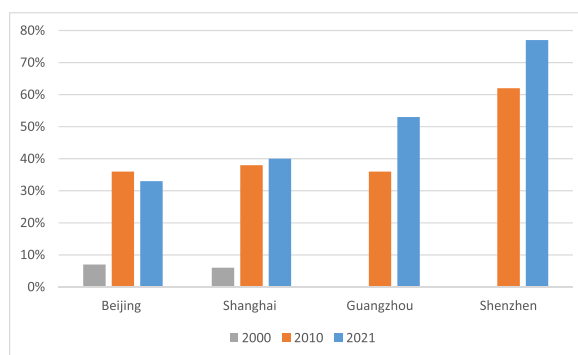


Fig. 1. Proportion of households living in private rented housing in China's first-tier cities, 2000–2021.

Sources: Data in 2000 and 2010 come from the fifth and sixth national population censuses. Data in 2021 come from an industrial report.<sup>3</sup> The data of Guangzhou and Shenzhen in 2000 are not available in the census.

acquired from the local government normally through a competitive tender. Notably, commercial housing is for sale only and can be freely traded on the market. In addition, commercial housing is generally located in a gated community (Xiaoqu in Chinese) that provides a host of social, commercial, and recreational services (Hendriks & Wissink, 2017; Wu, 2005, 2012). LTRA is a recent term used to describe properties managed by housing rental firms. Since 2010, stimulated by increasing demand for quality rental housing and supportive policies, numerous companies were established aiming at providing high-quality rental housing for young professionals (Li, et al., 2021). LTRA companies have two business models, ‘asset-heavy’ or ‘asset-light’. The ‘asset-heavy model’ is to rent out properties that are owned by the companies while the ‘asset-light model’ is to obtain the leasing rights of properties from individual commercial housing owners, refurbish them, and then sublet the properties on behalf of landlords (Chen, et al., 2022). Currently, most LTRA companies adopt the ‘asset-light model’ because it requires a smaller initial investment.

### 3. Housing class, class-monopoly rent, and class power

The concept of housing class dates back to the 1960s when Rex and Moore (1967) proposed a schematization of housing classes based on tenure. In recent years, there has been a revived scholarly interest in housing class, whereby researchers frequently position landlords at the forefront of their class schemes (Adkins, et al., 2021; Forrest & Hirayama, 2018). It is because recent years have witnessed that capital and wealth generated from assets significantly outstripped the growth of wages (Adkins, et al., 2021; Piketty, 2017). Housing, as one of the most important and effective investment channels for ordinary people, has facilitated social stratification and thus been pushed to the frontiers of debate. As concluded by Hochstenbach (2022), there are two main perspectives in the analysis of landlordism and class inequality. The first perspective highlights how landlordism serves as a means for middle- and upper-class households to gain wealth while burdening tenants with higher rents, hindering their wealth accumulation. The second perspective emphasizes the role of multiple property ownership (Kadi, et al., 2020) in determining class position, with housing-rich investors and real estate-owning families forming elite classes. Both perspectives suggest a division between rentiers and renters based on economic privilege and the extraction of rents from residential property.

More fundamentally, Harvey and Chatterjee (1974) considered rent as a transfer payment between individuals, interest groups, or classes, rather than representing any increase in value through production. Borrowing from Marx’s categories of differential, absolute, and monopoly rent, Harvey (1974) conceptualized landlords as a class-interest group who charge ‘class-monopoly rent’ from renters by virtue of their *class power*. From the Marxist perspective, class-monopoly rents arise because the landlords are willing to release their housing units “only if they receive a positive return above some arbitrary level” (Harvey, 1974). Harvey (1974) maintains that the realization of class-monopoly rent depends upon the ability of one class-interest group (i.e., landlords or rentiers) to exercise its power over another class-interest group (renters) and thereby to assure for itself a certain minimum rate of return. Landlords gain class power partly because they can individually survive well without releasing the resource units (land or housing) under their command (Harvey, 1974). Furthermore, Landlords may band together in an advocacy group to lobby for policies that benefit them (Hochstenbach, 2022; Teresa & Howell, 2021).

Additionally, Harvey (1974) illustrates, based on the case of Baltimore, that in the short term, the relatively rigid geographical structure facilitates the realization of class-monopoly rents. This occurs both within *sub-markets*, where different classes of providers engage with classes of consumers, and between sub-markets, as various processes endeavor to erode the boundaries of these sub-markets themselves. Harvey (1974) further argues that various forms of community conflict in urban societies can be understood as manifestations of class struggle revolving around the pursuit of class-monopoly rent. Landlords’ class power empowers them to consistently achieve a minimum rate of return through diverse strategies, thereby resulting in detrimental outcomes for renters such as substandard housing conditions, an escalating burden of rent, eviction, perpetuation of urban poverty, and significant social inequality and stratification (Desmond, 2012; Garboden & Rosen, 2019; Hochstenbach, 2022). Interestingly, Harvey (1974) posits the existence of a hierarchical institutional framework that facilitates the upward flow of class-monopoly rents while inhibiting their downward distribution, with financial institutions occupying the topmost position.

However, although Harvey (1974) presented a valuable framework for comprehending the significance of class-monopoly rent in the processes of urbanization and social stratification, his analysis did not delve into the specific strategies employed by landlords to achieve class-monopoly rent. Furthermore, he did not elaborate on the ways in which landlords infringe upon tenants’ rights and housing experiences in their pursuit of rent monopolies. This paper aims to address these gaps by investigating the strategies employed by private landlords across different sub-sectors to achieve class-monopoly rent. Furthermore, it endeavors to examine the influence of landlords’ strategies on the living experiences of tenants. In addition, it seeks to explore the class struggle between landlords and renters, with a particular focus on the hegemonic power of the landlord class. By providing an original perspective on the power dynamics between landlords and tenants, this paper contributes to the ongoing discourse on private landlordism and housing class.

### 4. Data and method

Our first research question is how landlords in different sub-sectors manage their housing. To answer this research question, 13 in-depth interviews were conducted with three commercial housing landlords, five urban village housing landlords/managers, three LTRA managers/executives, and two letting agents. Notably, although urban village managers and letting agents are not landlords, they are also interviewed because they have a close relationship with landlords and can provide us with more neutral information on the practices of landlords. To answer the second research question, in what way do landlords’ management practices influence the housing experience of tenants, 17 private tenants in Shenzhen were interviewed. See Appendix A and B for detailed information on the respondents.

Interviews were chosen in this study because our research questions are explorative and qualitative in nature. Qualitative methodology is useful in answering questions about experience, meaning, and perspective, from the standpoint of the participant when the question or problem is not known or ambiguous (Hammarberg, et al., 2016). Qualitative research has been used previously by researchers to examine the practices of landlords and the housing experience of private tenants, for example by Arku et al. (2012), Marquez et al. (2019), and Rosen (2014).

Since landlords are a minority group that is difficult to identify and locate,<sup>4</sup> Exponential Discriminative Snowball Sampling is adopted (Etikan, et al., 2016), meaning that every participant can name multiple potential participants while researchers screen potential variables before accepting a potential respondent into the sample population. The screening variable we employed is ‘sub-sector’, and we aimed at interviewing at least three landlords in each sub-sector. The sampling procedure began with a convenience sample of initial participants, including several private tenants and landlords, who served as ‘seeds’, through which further respondents were recruited. Interviews were carried out online through WeChat between December 2021 and March 2022. The research was approved by the Human Research Ethics Committee (HREC) of the Delft University of Technology.

Different groups of interviewees were asked customized questions. For example, for landlords, we focused on their daily management practices, business strategies, and how they interact with their tenants, letting agents, and LTRA companies. For tenants, we asked them to share their experiences in terms of affordability, residential conditions, and tenure security. We also asked how they were getting along with their landlords. Each interview lasted approximately 1 h and was audio-recorded after having obtained the interviewees’ consent. The recordings were transcribed into documents manually and analyzed through ATLAS.ti 9.

## 5. Findings

### 5.1. The realization of class-monopoly rent in sub-sectors and the role of class power

Our research reveals substantial variations in the means and strategies employed by landlords across different sub-markets to establish monopolistic control over rental prices. Specifically, landlords in urban villages employ a diverse range of tactics and strategies to achieve class-monopoly rents, capitalizing on the informality inherent in urban village housing and the vulnerable position of tenants.<sup>5</sup> In contrast, landlords in commercial housing have limited avenues to realize class-monopoly rent. The formality associated with commercial housing, coupled with the educational background, occupation, and economic status of commercial tenants, provides them with more leverage to counteract the actions of landlords. In contrast, the methods employed by LTRA companies to achieve class monopoly rents differ significantly from those employed by individual landlords. Leveraging their capital resources and employing professional executives, LTRA companies employ more sophisticated strategies to secure their monopoly rents. These strategies may include advertising on social media platforms and marketing their distinctive lifestyles to attract tenants. Furthermore, certain LTRA companies even utilize rental lending practices as a means to expand their business operations. Below, we will provide a comprehensive overview of the distinct sub-sectors of landlords.

#### 5.1.1. Urban village landlords

As outlined in Section 2.2, urban village landlords predominantly consist of former villagers whose agricultural land was expropriated by the local government. However, there is one notable exception among our respondents where a landlord acquired the land plots from the villagers during the early 2000s, a period when the law prohibiting land transactions in urban villages was less strictly enforced. Many of these village landlords have delegated their business operations to their offspring or designated a tenant as a caretaker, responsible for tasks such as cleaning and maintenance.

Based on a meticulous analysis of the interview data, we have identified at least four distinct strategies employed to achieve class-monopoly rents within urban villages. These strategies include reducing investment in housing and neighborhood amenities, refurbishing and upgrading housing units, manipulating utility bills, and colluding with other urban village landlords.

**5.1.1.1. Disinvesting in housing and neighborhood.** One crucial approach employed by landlords to maximize their rate of return is by reducing the cost of investment in housing. Urban village landlords, benefiting from comparatively fewer government regulations governing housing standards, often have the flexibility to modify their buildings according to their preferences. These modifications might include dividing floors into multiple housing units and maintaining a certain level of simplicity in interior design and finishes, such as furniture and soundproofing.

Urban village landlords may leverage their control over available housing units to charge rents that might not correspond

<sup>4</sup> Many developed countries or cities have implemented rental registry systems, databases containing detailed information about property owners and rental properties. For example, in the Netherlands, private rental owners are identified through unique person IDs (Hochstenbach, 2022). In Syracuse, New York, legislation was passed in 2020 to prevent landlords from evicting tenants residing in unlisted rental properties, even with the prohibition of rent collection for unregistered properties (Williams, 2022). The ordinance goes as far as prohibiting landlords from collecting rent from properties not on the rental registry. However, it's worth noting that Chinese cities lack mandatory rental registry requirements, resulting in less than 1% of rental contracts being filed with the government (Liu, 2017). Consequently, even the government lacks knowledge of landlords due to the hidden nature of private leasing.

<sup>5</sup> It should be noted that the informality inherent in urban village housing also introduces a range of uncertainties that urban village landlords must contend with, including challenges such as the large-scale demolition of illegal structures by the government (Lin et al., 2014).



proportionally to the quality of housing provided. This can be attributed to power imbalances, where landlords take advantage of tenants' limited options and lower bargaining power to charge rents that do not necessarily reflect the value of the accommodation. Moreover, some urban landlords might perceive their tenants as occupying a different socioeconomic position, which may influence their approach to providing housing conditions. One interviewee, an urban village landlord, reflected this sentiment:

Interviewer: Have you ever thought about improving the living environment?

Yi, urban village landlord: All my tenants are workers from the factories across the street, the bottom of the social ladder. How do you want to improve? They just want the rent to be as low as possible, nothing else.

Yi, the urban village landlord, notably establishes a division between himself and his tenants, labeling them as “workers from the factories” and situating them at the “bottom of the social ladder.” This distinction unveils a significant power disparity, with Yi positioning himself as possessing elevated social status and authority. This power imbalance constitutes a core aspect of the class-monopoly rent concept, underscoring how landlords exploit their influential status to extract rents from tenants who wield limited control and bargaining leverage.

Furthermore, Yi's assertion that his tenants are “workers from the factories across the street” highlights the constrained housing alternatives accessible to these workers. Notably, Yi's urban village is located within a suburban area where viable options for these workers are scarce. This scarcity of rental housing choices in proximity to the factories establishes a valuable resource for Yi, intensifying the power imbalance between him and his tenants. Moreover, Yi's capacity to provide housing in such a convenient locale grants him a measure of monopolistic control over this resource. This control empowers him to set rents that might not be solely dictated by market forces, thereby contributing to the underlying concept of class-monopoly rent.

Disinvestment in housing and neighborhoods within urban villages extends beyond isolated cases like Yi's. This strategy effectively allows landlords to maximize their rental returns at the expense of decent living conditions for their tenants. Refer to Section 5.2.2 for an exploration of how disinvestment impacts housing and neighborhood conditions in urban villages.

**5.1.1.2. Refurbishing and upgrading housing units.** In addition to cost reduction, another prevalent strategy employed by landlords to realize class-monopoly rents is through the refurbishment and upgrading of existing housing stock. This strategy can be explained by the Rent Gap Theory, which posits that gentrification occurs when there is a disparity between the potential ground rent and the current ground rent of a particular location (Smith, 1987). In the context of urban villages, some landlords choose to refurbish their buildings due to dissatisfaction with the relatively low rental income, and they often witness a significant increase in rents following the refurbishment process.

An illustrative example of this phenomenon is seen in the case of Zhang, who undertook a complete renovation of his building. In such cases, the tenants' influence on the decision-making process is typically minimal. Zhang's grandfather initially constructed the house in 1989, and Zhang himself renovated the entire block in 2018, motivated by the desire to “keep up with the times” and potentially attract higher rents.

Zhang, urban village landlord: I hired a renovation company. I told them how many units and what decoration effect I wanted, and they design and do it. Every unit is furnished with an air conditioner, TV, bed, washing machine, range hood, and water heater so tenants can just move in with their luggage ... I'm satisfied with the renovation, the rent increased by about 40%.

Interviewer: Did any tenants complain about the rent increase being too high?

Zhang: No. It's definitely different. Previously, I only provided renters with an empty unit, and they had to furnish and equip it themselves. Now, I offer air conditioning and all the essential household amenities. So, it's reasonable for me to raise the price. If tenants can afford the increased rent, they can continue to reside in the property, right?

While Zhang did not explicitly state it, it can be inferred that tenants who were unable to afford the substantial rent increase were compelled to vacate the premises. Zhang's case vividly underscores the class-monopoly rent concept through multiple facets. First of all, the tenants were unable to voice objections to renovations decided by the landlord. This inability to influence or resist changes highlights the landlords' dominance in shaping housing conditions to their advantage. Second, the striking 40% rent increase following housing upgrades, without room for tenant negotiation, serves as a clear departure from conventional market-driven dynamics, inviting scrutiny of power imbalances. In addition, the absence of tenant protections in urban villages, leaving existing tenants vulnerable to drastic rent hikes and evictions, exemplifies the unequal power dynamics integral to the class-monopoly rent concept. These elements collectively highlight the overarching influence landlords wield over the housing resource, enabling them to extract rents that may not correspond proportionally to market forces.

By examining the contrasting approaches of making housing more upscale and reducing housing investment, one can observe the stark class power disparity between tenants in urban villages and landlords. This power imbalance further underscores the marginalized position of urban village tenants and their limited ability to influence decisions that significantly amplify their financial burden and sometimes culminate in eviction. In Section 5.2.1, we will provide an example that some tenants are forced to vacate due to recurring rent hikes within urban villages.

**5.1.1.3. Imposing elevated utility rates.** Surprisingly, we found that many urban village landlords set the utility costs much higher than the market level to achieve class-monopoly rents. This phenomenon has been recently reported in several media (Shenzhen News, 2021; Wangyi News, 2021), although it has rarely been noted in the previous academic literature. Four urban village renters we interviewed complained about the high utility costs. As Tang stated:

The electricity is ¥ 1.5 per kWh, and water is ¥ 7 per cubic meter. It is more or less the same in every urban village. Every summer my monthly electricity bill is more than ¥ 500, which is ridiculous because I live alone and I only sleep in the house. For comparison, my parents' monthly electricity bill is just over ¥ 100. (Tang, urban village tenant)

In fact, Shenzhen adopts a 'tiered-pricing system' for residential electricity and water. The more households use, the more expensive the unit price of utilities. Due to the informality of urban village housing, the power and water authorities regard the whole block as a 'unit', even though it is made up of dozens of households. Therefore, urban village landlords are often charged at the highest tier. Even though, the utility price is much higher than the official maximum price.

Imposing elevated utility rates is prevalent in Shenzhen's urban villages, to the extent that tenants have grown accustomed to it. From a Marxist perspective, it can be argued that landlords in urban villages have formed a class-interest group, effectively establishing an unspoken rule or 'industry standard' that renders it virtually impossible for tenants to avoid exorbitant utility charges. The following strategy serves as a more explicit illustration of how landlords within urban villages collude and conspire at a community level.

**5.1.1.4. Colluding with other landlords.** Rent setting and raising are critical to realizing class-monopoly rents. All interviewed urban village landlords claimed to set rent according to the rent level in the village. In some cases, villagers formed an alliance to manipulate the rent level of a district. As one urban village landlord explained,

The rent level of the village is approved by most of the landlords in the village. For example, if my neighbour set the rent at 100 per month, I will also set it at 100, and so does everyone else. If someone wants to raise the rent, we have a discussion and agree to increase the same rate. (Yi, urban village landlord)

The findings highlight a dynamic within urban village housing where landlords form an alliance or a 'class-interest group' to safeguard their shared class interests. This collective action enables landlords to establish rent prices collectively and agree on rent increases, effectively eliminating internal competition among them. By uniting in this manner, landlords enhance their class power and leverage it to exploit the tenant class. This practice not only maximizes their profits but also reinforces their position of dominance within the local rental market. The formation of this landlord alliance can be seen as a strategic response to class struggle, as it allows landlords to exert control over the housing market and consolidate their economic advantages. Furthermore, it significantly diminishes renters' class power and undermines their capacity to engage effectively in the class struggle. Through the collective agreement on rent prices, the alliance restricts renters' bargaining power, limiting their ability to negotiate for lower rents. This collective decision-making process further reduces renters' options and increases their dependence on a limited supply of housing controlled by the alliance. Consequently, the absence of competition among landlords perpetuates inflated rent levels and consolidates their class power within the rental market.

### 5.1.2. Commercial housing landlords

Commercial housing landlords, in comparison to landlords in urban villages, can be characterized as belonging more to the upper-class petty bourgeoisie. The properties they rent out often originate from the work unit housing they acquired as public sector employees two decades ago or through personal investments in real estate. Many commercial landlords have additional stable sources of income and do not rely heavily on rental income, which constitutes only a small portion of their overall household earnings. According to Harvey's theory, this expanded financial stability should theoretically grant commercial landlords greater power to establish class-monopoly rents. However, our research findings indicate that commercial housing landlords primarily rely on a singular prominent strategy—rent increases—to exert their class power. Despite this strategy, their endeavors to raise rents frequently encounter opposition from tenants. Qin's description effectively highlights that rent should not be perceived as a fixed and reasonable rate of return, but rather as a negotiable, debatable, and 'fightable' outcome, which is closely related to the dynamics of the class struggle between landlords and tenants.

Tenants will never be satisfied with the rent, no matter how low it is ... I constantly find ways to raise the rent, usually when a new renter moves in. The increase is within ten percent. Sometimes, the tenant reacts strongly and refuses to accept the offer. In such cases, we negotiate for a slightly smaller increase. (Qin, commercial housing landlord)

We contend that the primary factor contributing to the relatively weaker success of commercial landlords in prevailing over their tenants in the class struggle, as compared to landlords in urban villages, stems from the diminished disparity in class power between commercial housing tenants and landlords. Generally, commercial tenants belong to a higher housing class compared to tenants in urban villages. This distinction arises from the significantly higher rental rates in commercial housing<sup>6</sup> as well as the selective nature of commercial landlords when choosing tenants, as stated by Ms. Han.

I rented my house to a family whose family structure is similar to ours, and whose education level is comparable to ours, and I also believe that their personal qualities, including their manners, should align closely with ours, so that I feel more comfortable. (Han, commercial housing landlord, manager of a public hospital)

The relatively similar social status between commercial landlords and tenants, or at least the narrower gap compared to the urban village sub-sector, plays a significant role in explaining why commercial landlords have limited means to establish class monopoly rents and are more likely to face resistance from tenants. A case in point is the experience of Ms. Han, who rented her property to a tenant

<sup>6</sup> Our previous field survey, encompassing over 600 tenants in Shenzhen, revealed that the average monthly rent levels in urban village housing and commercial housing are 1820 RMB and 2717 RMB, respectively (Li, et al., 2021).



family belonging to a similar social class. Despite her attempts to repeatedly raise the rent, the tenant ultimately fought back by not renewing the lease.

I raised the rent about once a year and a half because the housing price was soaring in the early 2010s. During the five years they (tenants) live, I raised the rent twice. Each increase was between five to ten percent. They accepted the increase twice. But in the fifth year when I proposed to increase the rent, they chose to move out. (Han, commercial housing landlord)

### 5.1.3. LTRA companies

LTRA companies exhibit several distinctions from individual landlords, with ownership being a notable differentiating factor. While LTRA companies may occasionally possess rental properties, they primarily function as “secondary landlords” by acquiring lease rights from individual landlords in China. Therefore, it is debatable to categorize LTRA companies as landlords in the traditional sense. Nevertheless, we still consider them as landlords due to their fundamental role and comprehensive involvement in the rental process. Given the increasing prominence of LTRA companies within the private rental market, their inclusion in our analysis is imperative and cannot be disregarded.

Another fundamental distinction between LTRA companies and individual landlords lies in the resources and expertise they possess. Rental companies typically enjoy greater access to resources and expertise compared to individual landlords who primarily rely on personal knowledge and networks. LTRA companies benefit from professional property managers, advanced property management software, a deeper comprehension of local rental market dynamics, and, notably, the capacity and access to mobilize financial channels to pursue long-term objectives.

Our research findings indicate that the possession of resources and expertise has empowered LTRA companies to exploit legal loopholes effectively. This exploitation of legal gaps significantly bolsters the class power of LTRA companies and enables them to achieve the realization of class-monopoly rents. By capitalizing on their resources and specialized knowledge, these companies can navigate and manipulate existing regulations and systems to their advantage, further solidifying their dominant position within the rental market. The exploitation of legal loopholes becomes a crucial mechanism through which LTRA companies exert their class power and extract class-monopoly rents from tenants. For instance, LTRA companies have multiple channels for finding tenants such as promotion on online platforms as well as offline advertising such as ads on the subways. Although the online rental search has become a trend worldwide (Rae, 2015), a surprising finding is that LTRA companies can pay the online platforms additional money to get their properties get more ‘exposure’ and even be tagged as ‘selected’. As described by the working staff in LTRA companies:

We have two channels to recruit tenants, non-paid and paid channels. The non-paid channel is our Official Account and private ‘Moments’ in WeChat.<sup>7</sup> The paid channel is to advertise our apartments on some online platforms such as 51, Beike, and TikTok.<sup>8</sup> I can pay these platforms to get my apartments topped, marked as ‘selected’, or promoted to more viewers by TikTok. (Long, steward of LTRA company B)

The term ‘selected’ used by rental companies may be misleading to potential consumers, raising ethical concerns. Through the manipulation of apartment visibility or labeling as ‘selected’, rental companies create a deceptive perception of endorsement or popularity. This misleading tactic can lead potential renters to believe that these apartments are genuinely preferred or of superior quality when, in fact, the promotion may simply be a result of payment rather than objective selection criteria. Such practices undermine transparency and can result in consumer misperceptions and dissatisfaction.

Several recent studies have documented the digitalization of landlords and criticized the use of digital technologies and algorithms by landlords for introducing discrimination during the process of tenant screening (Ferrerri & Sanyal, 2021; Fields, 2022; Rosen et al., 2021). In light of these findings, we posit that the implementation of digital technologies may bolster the class-monopoly power of LTRA companies, as these technologies have the potential to misrepresent rental properties in advertisements (Nasreen & Ruming, 2021) and are subject to suspicions of consumer deception.

Another example of exploiting legal loopholes for LTRA companies is to use rent loans to expand their business scale. While the LTRA companies we interviewed denied engaging in such practices, reports from individual landlords and tenants suggest otherwise, highlighting the adverse consequences associated with rent loans. The rent loan refers to ‘a financial arrangement whereby tenants borrow loans from financial institutions to finance the lump sum of their upfront rents and repay such loans through monthly repayments, while the landlords receive the upfront payment of rents at the beginning of the rental lease’ (Chen, et al., 2022). Some companies offer tenants a discount when they pay half or one year’s rent at once or use ‘rent loans’ (Chen, et al., 2022).

However, it is important to acknowledge that this financial strategy carries inherent risks for both LTRA companies and tenants, as its success relies heavily on companies’ ability to consistently secure upfront rental payments from new tenants. After the outbreak of the COVID-19 pandemic in 2020, the Chinese government adopted strict rules to restrict the travel of people. As a migrant city, the rental market in Shenzhen suffered a serious strike. Under high vacancy rates, LTRA companies were not able to pay the homeowners rent and went bankrupt, leading to the displacement of many tenants. Since 2019, more than 100 LTRA companies went bankrupt due to the collapse of cash flow (Beijing News, 2020). In 2020, 27 LTRA companies closed down in Chengdu alone, involving about 120,000 landlords and tenants (Xinhua News, 2021).

<sup>7</sup> WeChat is the most popular social media messaging application in China. Any government organizations, companies, or groups can register a WeChat Official Account to send articles and messages to their followers. Moments is a social networking platform such as Instagram or Facebook built in WeChat.

<sup>8</sup> 51 and Beike are rental-finding platforms. TikTok is a short-form, video-sharing application.

Furthermore, in many cases, tenants not only lose their homes but even face significant monetary losses. Qian consigned her commercial housing to an LTRA company and got into trouble with her tenant due to the bankruptcy of the company. She recounted her experience:

One day last year (2020), other landlords told me that this company seemed to be out of business. My renter and I then went to this company only to find that the entire company had been vacated. The renter had paid one year's rent to the LTRA company but I didn't get the money. Many landlords called the policy but it didn't work. I even filed a lawsuit with the Xi'an High Court because that company was registered in Xi'an. They replied to me with a notification letter, telling me that they could not handle this matter because it was not under their jurisdiction. (Qian, commercial housing landlord)

The practice of inducing tenants to make lump-sum payments, or clandestinely utilizing tenants' credit to secure loans from financial institutions to expand business scale or even personal use by company executives, constitutes a significant legal violation (Xinhua News, 2021). This practice can be considered to be an extreme manifestation of the abuse of class power, placing tenants in a vulnerable position of suffering both rental housing and financial losses.

However, due to the formality and positioning of LTRA companies targeting young talents, their ability to exercise class power is limited in comparison to urban village landlords. Practices such as arbitrary rent hikes or providing substandard housing conditions are less prevalent among LTRA companies. Our research indicates that LTRA companies consistently establish clear and well-defined rental contracts with tenants, and they actively renew these contracts upon expiration. In contrast, many individual landlords do not prioritize contract renewals, relying instead on verbal agreements that create a basis for exercising power. Additionally, LTRA companies regularly organize tenant activities. This approach not only conforms to the 'youth's lifestyle' they advocate but also increases customer loyalty. As put by Long:

If you want a good effect, you must hold social events at big festivals. In addition, you need to pick at least two weekends every month to hold events. It not only helps to increase customer stickiness but also helps to increase referrals. (Long, steward of LTRA company B)

## 5.2. Effects on the housing experience of tenants

The exercise of class power by landlords in pursuit of class-monopolistic rents inevitably encroaches upon tenants' rights and adversely affects their housing experiences across multiple dimensions. In this section, we aim to demonstrate how tenants' living experiences are compromised in terms of affordability, residential conditions, and tenure security, as these three aspects constitute the foundation of tenants' housing experiences (Lister, 2006; Shelter, 2016).

### 5.2.1. Affordability

According to Haffner and Boumeester (2015), the affordability of rental housing encompasses two crucial aspects: rental costs and energy expenses. In Section 5.1.1, we have demonstrated how urban village landlords manipulate utility costs to extract additional rent from tenants. Moreover, both urban village landlords and commercial housing landlords have the discretion to impose frequent and arbitrary rent increases, further exacerbating the challenges associated with affordable rental housing. Many tenants we interviewed shared their experiences of facing rent hikes proposed by landlords. Most tenants reluctantly accepted these increases due to being informed about rising "market rents" or the inconvenience associated with relocating. Lan provided an example in which her rent increased by 25% within a short span of three months, ultimately leading to her displacement:

After the Spring Festival, my landlord increased the rent by 200 RMB, I put up with it because I understand it is a tradition. But the next month he again raised 200 RMB. I asked why, and he replied that every landlord was raising the rent ... I was confused, feeling that there is no basic law ... after one month he proposed to raise 200 RMB for the third time. I thought it was too much, so I left. (Lan, urban village tenant)

### 5.2.2. Residential conditions

To examine the influence of landlords' management practices on residential conditions, we asked tenants about problems with their rentals. Our findings reveal that urban village housing stands out as the primary subject of tenants' grievances. Commonly reported problems encompass noise, overcrowding, uncleanliness, dampness, inadequate natural light and ventilation, substandard infrastructure, and lack of indoor facilities, among others. Lan's personal narrative offers a vivid depiction of her experience living in urban village housing, highlighting the detrimental consequences of reduced housing and community investment by urban landlords on tenants' living conditions.

Every time I go home, I have to pass through a dark, dirty, and smelly road with garbage on both sides. When I get home I have to close the window right away because the fumes from the restaurant downstairs drift into my room. At the same time, I would hear people yelling on the road and neighbors arguing and spanking their children. (Lan, urban village tenant)

Commercial housing tenants tend to express fewer complaints compared to those residing in urban village housing, primarily due to the superior quality of housing and neighborhood conditions they enjoy. Commercial housing is primarily designed and constructed for prospective homebuyers in the real estate market. Developers are obligated not only to meet the government's construction regulations but also to cater to the specific demands and preferences of potential homebuyers. As Dong explained:

In Xiaogu, the distance between buildings is much larger than in urban villages, enabling the construction of activity areas such as green space. In our Xiaogu, there are many recreational facilities such as ping-pong tables and basketball courts, which are basically impossible to appear in urban villages. (Dong, commercial housing tenant)

As for LTRAs, most tenants interviewed expressed a relatively positive outlook on LTRAs, particularly praising the provision of new furniture and facilities. LTRA companies specifically target the needs of young individuals, offering amenities like public spaces within the building for socializing and ensuring the building's external aesthetics align with the preferences of the younger demographic (Li, et al., 2021; Zhan, 2021). As Wu and Bai stated:

I'm most satisfied with my current dwelling (an LTRA) ... everything is new in the room. The decorating and furnishing are quite youthful. (Wu, LTRA tenant)

LTRA stewards have good service attitudes. They are as young as we are, so we can communicate well. If something went wrong, for example, the bulb burns out, they will replace it for me. (Bai, LTRA tenant)

### 5.2.3. Tenure security

According to Van Gelder (2010), tenure security should be considered a composite construct comprised of three components: the legal status of the tenure (*de jure*), the actual occupation and use of the property (*de facto*), and the perception of the dweller with regard to his or her security. Each aspect was asked during our interview with landlords and tenants.

In terms of *de jure* security, we found most of the interviewed tenants signed a written contract with their landlords, which is consistent with Li et al. (2021). In contrast to LTRA companies that would generally renew the contracts with tenants, we found that many individual landlords did not renew the contract after the expiration of the first contract. As Yuan stated

Landlords in Shenzhen generally sign a contract of half a year or one year. After the contract expires, normally they don't sign another contract. Landlords can increase the rent by oral notification. If the tenant feels that it is not a good deal, he or she has to find another place. (Yuan, letting agency)

With regard to *de facto* security, we asked the landlords whether they had ever evicted a tenant. We also asked the tenants if they had ever been evicted. We found that landlords will resort to eviction only if the tenants fail to pay rent or if they cause serious disruptions to other tenants. However, displacement can occur if the landlord decides to 'deal with' their properties. We found that 4 of the 17 tenants had experienced displacement, for various reasons. Liu and Wu were asked to move out because the landlord decided to renovate or sell the dwelling, respectively. Notably, their landlords gave them a month's notice before their contracts expired. However, Cui was suddenly asked to move out by the manager because the LTRA company had to return the property to the homeowner due to a cash flow crisis. Lan had to leave her urban village housing because her landlord raised the rent to an unacceptable level.

As for perceived security, we found most tenants were not worried about losing their homes. Instead, they were more concerned about the frequency and extent of rent increases by their landlords. Nevertheless, many tenants expressed that they did feel more secure living in LTRAs than individually managed housing. Xin had experience living in both commercial rented housing and LTRAs. He felt that living in LTRAs gives a sense of security.

(Compared with commercial housing), LTRAs are more secure because they are run by professional companies. The terms are clear in the contract, including the duration of the tenure, and what compensation to be made if I'm asked to leave during the tenure. (Xin, LTRA tenant)

## 6. Discussion and policy implications

This paper aims to explore how landlords in different sub-sectors exercise their class power to realize class-monopoly rents and examine how landlords' strategies to realize class-monopoly rents impact the housing experience of tenants.

First and foremost, we observed substantial variations in the strategies employed by landlords across different sub-sectors to achieve class-monopoly rents. Urban village landlords exhibited the most diversified range of strategies, including disinvesting in housing and community, refurbishing and upgrading housing units, imposing elevated utility rates, and colluding with other urban village landlords. As a consequence of failed class struggle, it was found that urban village tenants have the poorest housing experiences. This finding aligns with the conclusions drawn from our previous large-scale survey. Based on our field survey involving over 600 tenants in Shenzhen, we found that urban village tenants exhibit significantly lower levels of residential satisfaction and life satisfaction compared to tenants in commercial housing and LTRAs (Li, et al., 2021, 2023). Remarkably, only 30% of urban village tenants express satisfaction with their overall life, a figure significantly lower than that of commercial housing tenants (43%) and LTRA tenants (47%) (Li, et al., 2023).

Our research offers a novel explanation for this disparity. A significant portion of the urban village tenant population consists of rural migrants who belong to the lower-middle-income bracket and have a comparatively lower educational background. They belong to the most disadvantaged segment of the housing class, lacking the resources and organizational capacity to advocate for their own interests and protect their rights. Moreover, due to the scarcity of social housing, the exorbitant prices of commercial housing, as well as limited financial avenues (Cui, et al., 2023), urban village housing has become their last resort for residing in Shenzhen. Consequently, they are unable to impede the exercise of power by landlords. Furthermore, the informality inherent in urban villages (Lin, et al., 2014), the absence of regulatory systems, and the formation of class-interest groups within urban villages further widen the power gap between landlords and tenants, significantly impacting tenants' housing experiences.

In contrast, commercial housing landlords have limited means to achieve class monopoly rent, primarily relying on rent increases,

which often face resistance from tenants. This is due to the significantly higher socioeconomic status of commercial housing tenants compared to urban village tenants, as well as the inability of commercial housing landlords to form a class interest group like their counterparts in urban villages. Furthermore, since commercial housing is constructed for homeowners, developers must adhere to certain regulations such as plot ratio and greenery requirements. Additionally, they must consider consumer demand to ensure successful property sales. These factors contribute to a better residential experience for tenants in commercial housing.

As for LTRA companies, their strategies for achieving class monopoly rent are entirely different from individual landlords. LTRA companies possess more substantial resources and professional expertise compared to private landlords, which can be advantageous as they can provide better services to tenants. However, at times, they may exploit this advantage to exploit legal loopholes, such as engaging in deceptive market strategies or adopting high-risk financing strategies. This can result in some tenants falling into a situation where they lose both their rental housing and financial stability. Nevertheless, the power gap between LTRA tenants and the company is not as significant as that in urban villages. This is primarily due to the government regulations imposed on LTRA companies as formal market entities. A prominent example is that LTRA companies are required to sign formal contracts with their tenants, specifying lease terms and rent increases. This restricts arbitrary actions by LTRA companies and provides tenants with greater tenure security. Additionally, since LTRA primarily targets young talents and strives to establish a more upscale market positioning, they have to consider housing quality, services, and aesthetics. Moreover, young talents, having higher levels of education and socioeconomic status, are more capable of defending their rights. This further narrows the power gap between LTRA enterprises and tenants.

Based on the aforementioned arguments and drawing inspiration from Adkins et al.'s (2021) asset-based class scheme, we have developed a housing class scheme in urban China (Fig. 2). Our scheme goes a step further than Adkins' by differentiating various sub-markets within the private rental sector, enabling us to understand the high heterogeneity of both the PRS and tenants. Our scheme initially distinguishes three classes: the tenant class, the homeowner class, and the landlord class. Urban village tenants are situated at the bottom of the housing class hierarchy in our scheme, with extremely limited class power. This limitation arises not only from their lower education and income levels but also from their organizational capacity and lack of alternative housing options. Although it is clear that both LTRA tenants and commercial housing tenants have higher class positions than urban village tenants, it is challenging to differentiate which of them holds a higher housing class. In this paper, we temporarily place commercial housing tenants in a higher class position due to their relatively older age, higher income, and education levels (Li, et al., 2021), which should grant them greater class power. Above them are single homeowners who have moved beyond the tenant class, enjoying better living conditions and higher social status. However, many of them have purchased homes with relatively high mortgage interest rates, indicating that they have not entirely escaped exploitation by financial institutions such as banks. Since they are not the focus of this study, our scheme does not further differentiate them. Within the landlord class, we position multiple property owners at the lower end of the spectrum due to the relatively less pronounced socioeconomic disparity between them and their tenants. Additionally, they often lack organization and fail to form a class-interest group, which results in limited class power. Conversely, urban village landlords gain substantial class power by exploiting the informality of urban villages and forming a class-interest group with other landlords in the same village. Moreover, due to limited government regulation and difficulty enforcing regulations within urban villages, urban village landlords wield significant class power. At the uppermost level of the housing class hierarchy, we position institutional investors such as LTRA companies and financial institutions. Indeed, LTRA companies can be seen as financial institutions or entities backed by financial institutions behind the scenes. As Harvey (1974) argues, the hegemonic power of finance capital plays a significant role in shaping the housing market, creating geographically distinct housing sub-markets, financing speculator-landlords, and controlling the urbanization process. Finally, it is noteworthy that the landlord class scheme also correlates with the size of their property portfolios. Multiple property owners typically possess one to three properties in Shenzhen, whereas urban village landlords often own dozens of units. LTRA companies, on the other hand, can manage or own hundreds or even thousands of apartments (see Appendix A). The number of properties owned by landlords grants them varying degrees of power and access to different strategies.

The poor housing experience of tenants highlights the need for policy intervention in Shenzhen. Our study has shown that the poor

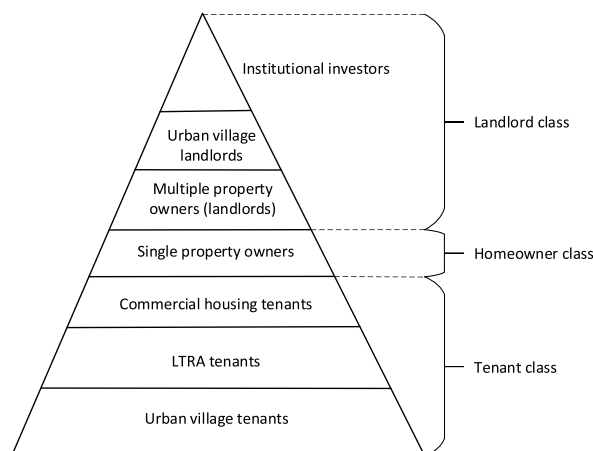


Fig. 2. Housing class in urban China.

housing experiences of tenants are an outcome of landlords exerting their class power to realize class-monopoly rents. Therefore, policies should aim at either empowering the tenants or restricting the class power of landlords. More specifically, we argue that housing policies should be differentiated into different sub-sectors. The urban village sub-sector deserves special attention from the policymakers not only because it accommodates the majority of tenants in Shenzhen but also because it received the most complaints from the tenants. Several initiatives can be formulated to improve the housing experience of urban village tenants. To start with, legislation should be enacted to stipulate the presence of written contracts between tenants and landlords, especially after the first short-term contract. This could help to curb arbitrary rent increases proposed by the landlords. In addition, the utility costs in urban villages should be formalized by the municipality. We recommend that the government treat each household as a unit rather than an entire building. Each household should have individual meters for electricity and water installed by the local authority. Furthermore, it is recommended that minimum housing standards (such as minimum space area per person) be made by the local authority. A housing warrant of fitness can be considered to ensure that basic minimum standards are met (Telfar-Barnard, et al., 2019). Urban village tenants are encouraged to establish a tenant union as a means to bolster their collective class power and effectively confront the landlord class-interest group. By forming a tenant union, they can consolidate their efforts, amplify their voices, and advocate for their rights and interests in a more cohesive and organized manner. Additionally, the government should focus on constructing more social rental housing for low-income households. A robust social rental sector can effectively compete with urban village housing and provide urban village tenants with a viable alternative, thus reducing the power gap between urban village landlords and tenants. Interestingly, the Shenzhen government initiated a Tongzu Project at Baimang Village in May 2023 (Southern Metropolis Daily, 2023). “Tongzu” refers to the government’s acquisition of operational rights for urban village housing from the landlords, followed by the operation of housing units after a certain degree of renovation, targeting low-income groups or “talents”. In July, the State Council issued the “Guiding Opinions on Actively and Steadily Promoting the Renovation of Urban Villages in Extra-Large and Super-Large Cities.” The opinions highlight that actively and steadily implementing the renovation of urban villages in extra-large and super-large cities is a significant measure to enhance people’s livelihoods, expand domestic demand, and promote high-quality urban development. The Tongzu project appears to be a strategy that achieves multiple objectives simultaneously. It not only improves the housing conditions within urban villages but also aids local governments in achieving their targets for constructing a guaranteed number of Affordable Rental Housing units. Moreover, through housing renovation, it can stimulate upstream and downstream sectors of the real estate industrial chain, thereby boosting the sluggish economy. However, the implementation of Tongzu could encounter significant resistance from the tenants. Taking the example of Baimang Village, existing tenants were suddenly asked to vacate within a month, leading to widespread discontent. Furthermore, many tenants are concerned that post-renovation rents will significantly increase, rendering them unable to afford the new rates. Additionally, the issue of school enrollment for children after relocation poses a further inconvenience for tenants. Due to tenant non-compliance and the amplification of public opinion, the unified leasing project in Baimang Village had to be temporarily suspended (Southern Metropolis Daily, 2023). Drawing lessons from the Baimang Village case, the government must prioritize tenants’ rights, guarantee fair compensation and relocation, ensure transparency regarding the rent increase after renovation, and actively engage tenants for their input.

As for the commercial housing sub-sector, policies should mainly focus on the frequency and magnitude of rent increases as residential conditions of commercial housing are generally decent. Besides promoting the presence of a long-term contract, the local government can consider setting a cap for rent increases, for example, five percent every year, to curb exorbitant rent rises. With regard to the LTRA sub-sector, it is imperative for the government to strengthen regulations on LTRA companies, particularly by addressing existing legal loopholes. More comprehensive and detailed regulations should be implemented to prevent LTRA companies from employing misleading tactics in their advertisements. Additionally, the use of rent loans and advance payments has introduced potential risks not only for landlords and tenants but also for LTRA companies themselves. It is essential to develop policies that specify the maximum upfront rents and deposits required by LTRA companies to mitigate these risks. Finally, the establishment of supervisory authorities and mediation institutions should be encouraged to ensure the effective implementation of policies, promote proper resolution of disputes, and create a balanced power relationship between landlords and tenants.

## 7. Conclusion

In this paper, we seek to explore how landlords in different sub-sectors exercise their power to maximize their rental income and the influence on tenants’ housing experiences. By drawing upon the concept of housing class and Harvey’s theoretical framework of class-monopoly rent and class power, we have made significant contributions to understanding the power dynamics between landlords and tenants. Our results show that the rent is not a precisely calculated rate of return purely driven by market forces, but rather the outcome of the class struggle between landlords and tenants. We have identified distinct strategies employed by landlords in various sub-sectors to achieve their class-monopoly rents. Additionally, our research also enriches the theoretical understanding of tenants’ housing experience. Specifically, we shed light on the fact that the availability of strategies for landlords and the housing experiences of tenants are largely shaped by the disparity in class power between landlords and tenants. The wider the power gap, the more exploitive strategies landlords can utilize, resulting in poorer housing experiences for tenants. These findings reveal the underlying reasons for the low satisfaction levels among urban village tenants, both in terms of their residential environment and overall quality of life (Li, et al., 2021, 2023). Finally, we have developed a housing class scheme in urban China based on our findings. This scheme holds potential for future studies examining asset inequalities, social stratification, and the structure of class power in urban China.

Despite its significant contributions, it is important to acknowledge several limitations of the present study. Firstly, the small sample size limits the exhaustiveness of the identified strategies employed by landlords. Future research could explore additional potential strategies utilized by landlords to achieve class-monopoly rents. Secondly, since our study exclusively focuses on the Chinese context,

generalizing our results to other countries may be difficult. However, the analytical framework proposed in our study can serve as a valuable tool for future research across different countries, and we encourage comparative studies. Additionally, due to resource constraints, we were unable to access specific types of landlords, such as large commercial housing landlords and LTRA companies utilizing an asset-heavy business model. As more Chinese cities allocate land specifically for rental buildings, it is anticipated that the asset-heavy model will partly replace the current asset-light model. Consequently, further research is needed to understand the strategies employed by asset-heavy LTRA companies in realizing class-monopoly rents and their impact on the housing experiences of tenants.

### Declaration of competing interest

The author declares that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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### Appendix A. Landlords and agents information

Number	Gender	Age	Category	Number of owned/managed rentals	Years of experience
1	F	50	Commercial housing landlord	1	10
2	M	33	Commercial housing landlord	1	5
3	F	40	Commercial housing landlord	2	3
4	F	26	Urban village landlord	24	1
5	M	38	Urban village landlord	30	5
6	M	45	Urban village landlord	30	10+
7	F	60	Manager of urban village housing	35	10+
8	M	38	Manager of urban village housing	45	8
9	M	32	Steward of LTRA company A	1000+	4
10	M	47	Founder of a LTRA company B	600-700	8
11	M	29	Executive of LTRA company C	7500	3
12	M	32	Letting agent	100	4
13	F	30	Letting agent	1000+	4

### Appendix B. Tenant information

Characteristics	Number
<b>Gender</b>	
Male	8
Female	9
<b>Mean age</b>	29.3
<b>Migration status</b>	
Local	2
Migrant	15
<b>Have experience living in</b>	
Urban village housing	8
Commercial housing	11
LTRA	7

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