

# GENTRIFYING GEORGE TOWN PENANG: FOREIGNERS IN, LOCALS OUT

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**Abstract:** Since George Town, capital city of Penang, Malaysia was listed as a UNESCO World Cultural Heritage Site; age-old colonial buildings have been vigorously restored. Gentrification, whilst boosting the social, cultural and economic landscapes of the city through the arrivals of artists, tourists and investors, has also stimulated the sale of properties within and around the Heritage site. While the increase in the sales and purchase of real estate, in particular, centuries old shop houses or “tiam chu” in George Town seem favourable towards the state’s economy, there are certain negative effects to gentrification often not discussed. This increase of property value has directly led increased rental costs, evictions and closing down of traditional trades as the owners of such properties, who are often foreigners, find it more profitable to sell off their shop houses or to convert them into boutique hotels. The increase in rental costs have also led to tenants who have been renting such shop houses for generations to relocate to the suburbs. This transformation of traditional businesses has directly led to the decline of local cultural identities as residents and age-old businesses are forced to relocate whilst foreigners own more properties in the city. In short, George Town is beginning to transform into a tourist town that lacks its original charms of a living cultural heritage. This paper examines how the increase of property values and escalating rental costs through gentrification works in George Town affects local residents and businesses.

*Keywords: Gentrification, Eviction, Culture, George Town, Heritage, Malaysia*

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## 1. INTRODUCTION

The listing of George Town, Penang as a UNESCO World Heritage City has changed its landscape economically, socially and culturally. George Town, the capital city of Penang Island, spurred forward in line with modernization while clinging on to age-old traditions. The push towards modernising the city has somewhat also led towards a large scaled gentrification of George Town. Restoration and conservation works continue being carried out to uphold and preserve the colonial identity of the city through its heritage past as efforts to further market George Town to tourists. While the influx of tourists continued to flood the streets of George Town, their presence are mostly only felt at areas marked as “heritage”. And it is also within these heritage or gazetted zones, which attracted not only tourists, but also foreign investors who purchase in bulk, colonial shop houses that were restored, beautified, and sold at a much higher price. As a result, the sale of shop houses through in the city has driven out tenants currently occupying the building. Gentrification works in George Town Penang then, whilst bringing in foreign investments, results in the exodus of local communities who have been living in George Town for centuries.

The development and modernization of the city through the restoration of the shop houses has transformed the traditional businesses into boutiques hotels and cafes. Indirectly, it has also led to the decline of local traditional businesses such as the “kopi-tiam” and budget hotels. The coffee shop or in local lingo, the “kopi-tiam”, exists in many Malaysian towns. These businesses however, are not the only form of businesses being made to close its doors for other business, which have been running for generations since the early 1900s are facing the threat of being evicted. Whereas, many of the budget hotels were forced to transform into boutique hotels in order to cater the increased rental costs or to jump onto the bandwagon of providing living accommodation for tourists. Such businesses, often located in shop houses or “tiam chu” in local Hokkien dialect, face the threat of eviction due to escalating rental costs. It is also in these shop houses where its tenants have been living for generations. In recent years, rental for shop houses in George Town have

escalated to as high as RM7, 000 (US\$1 700) per month. Brought upon by the repeal of the Rent Control Act (1948) in the year 1997 and gentrification process after Penang was granted the UNESCO Heritage Status in 2008, there has been a rush to preserve dilapidated buildings and revive what was “cool” in the 1960s-1970s (See Figures 1). Cafes and art-spaces are housed in shop houses and in colonial-era buildings and infrastructures that have undergone restoration works.



Figure 1 a decaying building in Penang

While gentrification has brought upon much positive development to George Town in terms of tourist arrivals and economic revenues, there is also a negative side to this phenomenon, which is often not discussed. This paper thus further examines the gentrification process in George Town, Penang by examining how age-old traditions and businesses and families are continuously being evicted. As the second part of a 2-year research project designed to explore and map creative industries and creative cities in Malaysia between the School of Modern Languages and Culture, University of Nottingham Malaysia Campus and School of Communication, Universiti Sains Malaysia, this paper is an update from the first paper, *Hipsters, Festivals and Evictions: Gentrification and The Rise of the Nuevo-Creative Class in George Town Penang* (Lee and Barker, 2016), by incorporating in-depth interviews with the stakeholders affected by and involved in the gentrification of George Town.

## 2. THEORETICAL BACKGROUND

### The Gentrification Process

In 1964, British sociologist Ruth Glass coined the term gentrification (Paton, 2014). Gentrification refers to the transformation of a working class or vacant area of the central city into middle class residential and/or commercial use (Lees, Slater and Wylie, 2008). With regards to the relationship between gentrification and neighbourhoods, gentrification tends to threaten indigenous residents of particular neighbourhoods unless they are capable of recognising and countering such threats. Indigenous residents do not necessarily react to gentrification according to some of the preconceived notions generally attributed to residents of these neighbourhoods, as their reactions are both more receptive and optimistic. Residents of the inner city are sometimes more receptive because gentrification brings their neighbourhoods into the mainstream of commercial life with concomitant amenities and services while presenting possibilities of upward mobility (Freeman, 2006).

Individuals who move into newer spaces are often of middle class standings. Known as “invaders”, they would gradually displace the poor working-class inhabitants by changing and restoring buildings. The process of gentrification exists in different dimensions, which suggests the displacement of poor communities by rich outsiders and includes geographical, social and physical dimensions. In terms of geographical dimensions, gentrification occurs in central urban districts, deprived areas and assumes a neighbourhood scale. In terms of social dimensions, the turnover is in favour of the wealthy and takes on a “class” character in Marxist terms. In terms of physical

dimensions, as buildings are gradually restructured, the image of urban spaces radically improves and effects its economic base and attraction (Diappi, 2013).

Through gentrification, pioneer gentrifiers upgrade working-class neighbourhoods to become middle-class housing while displacing indigenous residents (Michael, 2014). While upgrading decaying neighbourhoods through housing programs enhances possible upward mobility for indigenous residents, such housing programs are premised on the notion of introducing the poor to more affluent neighbours by moving them to the suburbs or bringing the middle class to places that are off-limits to outsiders (Freeman, 2006). Due to the perception that neighbourhoods were undervalued; restoration, renovation, beautification or development efforts are thought to increase property values to their maximum commercial potentials (Michael, 2014). In short, gentrification refers to how an influx of wealth in existing urban districts that changes its character and culture and leads to a related increase in rental costs and property values. The increase of rental costs is interrelated with the moving of local residents to the suburban areas, particularly for the lower-income neighbourhoods (Levy, Corney and Padilla, 2006).

### ***Gentrifying George Town, Penang***

In 1786, Captain Francis Light discovered the city of George Town in Penang. Located at the north-eastern tip of the island, the city became a popular port of trade located at the Straits of Malacca. Until today, George Town remains as one of the most cosmopolitan cities in Malaysia. The state of Penang is divided into two sections by the Straits of Malacca – Penang Island and Seberang Perai, a narrow hinterland located at the west coast of the Malaysian peninsular. The state of Penang is currently under the administration of Chief Minister Lim Guan Eng with the now defunct opposition coalition Pakatan Rakyat holding the majority in its State Assembly. The state is also one of the wealthiest in Malaysia. While Penang no longer enjoys the status of a free port, one of its main sources of income is generated from the Free Trade Zone that houses factories of multinational corporations such as Intel, Seagate and Motorola.

Even before Penang was listed as a UNESCO World Cultural Heritage Site on 7 July 2008, Penang has often been well known for as a popular tourist destination due to its picturesque beaches and coastlines, delectable local cuisine, skyscrapers, heritage and various houses of worship. Known as the “Pearl of the Orient” for its charming beauty and laid back way of life, the UNESCO listing of this multi-ethnic city in 2008 did affect and alter the landscape of the state socially and culturally. From the social perspective, the social demographics of the city changed with the influx of artists, bohemians, tourists, entrepreneurs and “hipsters”. The UNESCO listing did in fact help to boost the state’s economy as approximately 200,000 tourists now visit Penang annually (<http://m.todayonline.com/world/big-read-penang-whose-version-heritage>).

In 1994, prior to the listing of George Town as a World Heritage Site, the first major restoration works was carried out on the Syed Al-Attas Mansion built in the 1860s. The George Town heritage site covers 109 hectares of the oldest quarter of the city and with a larger 150 hectare “buffer zone” surrounding it. The buildings within this zone are protected by local council regulations that govern the conversion of historic shop houses. Within a five-year period, this has inadvertently inflated the value of to these buildings and is now seen as the “hottest real estate in Penang” (<http://www.timeout.com/penang/things-to-do/essay-penang-island-the-last-20-years>).

According to UNESCO, “heritage is our legacy from the past, what we live with today, and what we pass on to future generations. It is an irreplaceable source of life, inspiration, points of reference and even identity to the whole community”. To preserve and conserve cultural heritage sites, UNESCO aims to encourage the identification, protection and preservation of cultural and natural heritage around the world that are considered of being outstanding value to humanity. The listing of George Town as a World Heritage Site was due to its capability of demonstrating a succession of historical and cultural influences while maintaining the originality and authenticity of British colonial architecture and influences of Asia and Europe, currently featured in many residential and commercial buildings. (<http://www.unesco.org/new/en/brasilia/culture/world-heritage/heritage-legacy-from-past-to-the-future/>). In Georgetown, there are a number of buildings still maintaining

the original style of British colonial architecture and is currently used for commercial purposes. One such example is the first cinema in Penang, Majestic Theatre. Majestic Theatre was built in 1926 by philanthropic proprietor, Khoo Sian Ewe (1886-1964) (see Figures 3 and 4). The dilapidating building was purchased by Global 1919 Sdn. Bhd. and underwent restoration works. Restoration works was completed in 2016 and is currently is used for cultural and sporting events.



Figure 2 Majestic Theatre at Jalan Khoo Sian Ewe in 2016 (left), Majestic Theatre abandoned in 2011  
Source: (<http://turbinemanlog.blogspot.my/2011/03/my-short-walk-in-georgetown.html>)

### 3. THE RESEARCH METHOD

#### **In-depth Interview with Activist Anil Netto**

This study attempted to interview more than 10 individuals affected by, are stakeholders of or are individuals concerned with gentrification works and its effects in George Town. Despite efforts of obtaining interviews by personal invitation, phone calls and emails, our attempts at interviewing such individuals either went unanswered or declined. This study did manage to interview activist and independent journalist Anil Netto, who carries out his works online and via social media. Anil Netto is known for his works on his website [anilnetto.com](http://anilnetto.com) and active participation in civil society works through Penang Forum and Aliran for more than 20 years. He is currently active in creating awareness by writing and creating awareness about how immense development projects in Penang are causing environmental damage while attempting to preserve the heritage and legacy of the state affected by development. Amongst his most recent writings about the development issues in Penang are: “Penang Latest Tourist Attraction: The Dark Alley of Paya Terubong”, “Sia Boey: National Heritage Department to issue interim protection order, plans to extend buffer zone”, “Penang Forum’s letter to UNESCO is to protect George Town’s heritage listing”, and “Sia Boey: Penang Forum responds to criticism of its letter to UNESCO”.

### 4. RESULT AND DISCUSSION

#### **Gentrification in George Town: A Local City Owned by Foreigners**

During our in-depth interview with Anil Netto, we discovered that his statements had supported our content analysis finding in the media (see Lee and Barker (2016)) about how gentrification works in George Town has attracted many foreigners to purchase properties in the heritage area. According to Anil Netto, “In Penang, the value of properties has significantly increased due to the increased purchasing of such properties by foreigners”. Anil emphasised that most of such foreign investors are Singaporeans who then transformed these age-old heritage buildings into boutique hotels and cafes. As discussed in Lee and Barker (2016), Singaporean corporations have purchased properties “in a row” and often “above market value” in locations such as Jalan Pintal Tali, Noordin Street and Chulia Street. Anil Netto further added that with the arrival of investors, many of the developers seized the chance to make a profit by increasing the value of their properties. According to Anil Netto, “People do not like to keep money in the bank because the interest rate is

very low. They rather use the money to invest in property. This is the reason why many developers like to have construction in the city in order to attract the investors”.

This increase in development projects in George Town had ultimately increased the overall cost of living amongst Penang residents. According to Anil, “The increased of foreigners purchase in Penang has subtly caused the property values increase and the escalating rental costs had burdened onto the local residents, especially lower income groups”. For instance, landlords of property owners will impose higher rental costs onto their tenants when there is an increase in the value of property. Increased gentrification also leads to eviction due to the rise in rental costs. As discussed in Lee and Barker (2016), rental of shop houses in the gazetted heritage zone has increased significantly by 500 per cent. This ultimately makes rental costs unaffordable and has been driving out residents of George Town en masse. Anil Netto makes a comparison between the gentrification process in Penang and Thailand by providing an example about the restriction on property purchase by foreigners in Thailand. According to Anil, “Foreigners are not allowed to own residential land under laws in Thailand. Taxes are imposed on the property purchase and it ultimately restricted the purchasing of foreigners”. In Thailand, foreigners are allowed to purchase apartments so long as no more than 49 percent of a development is owned by foreigners (Christie, 2012). In Penang however, state bylaws state that there is no limit for foreigners to purchase priced at MYR2 million (US\$500, 000) and above. The weakening value of the Ringgit against foreign currencies such as the Singapore Dollar also does not help further protect such properties from being purchased en masse by foreigners.

Lastly, Anil Netto makes a comparison of Penang and Bangkok traditional trades made to cease operations due to gentrification in these cities. As discussed in Lee and Barker (2016), gentrification in George Town which have made such places as “playgrounds for the rich” have caused traditional businesses such as the “kopi-tiam”, and coffee mills to be replaced by hipster cafes and boutique hotels inaccessible to all. In Bangkok, Anil Netto mentions that over the past year, the Bangkok Metropolitan Administration has evicted nearly 15,000 vendors from 39 public areas citywide, as part of a campaign to tidy up the streets and pavements. The gentrification process also affected another top tourist landmark, Pak Khlong Talad, the Flower Market sprawling riverside warren in the Old Town. Anil Netto further adds that, “One of the market’s warehouses has been transformed into an as-yet-unfinished community mall with tourist shops, cafes and restaurants. The vendors on the footpath in front of it, who sold vibrant marigolds, roses and orchids, as well as noodles, stewed duck and pork satay have been evicted. The gentrification process in the city has led to the eviction of the vendors and thus foreigners and even tourists are not able to experience the exotic in the market itself”. Gentrification in Bangkok, like George Town, has caused the eviction of many vendors being forced to leave due to the construction of property. According to Anil Netto, “some of the local residents in Bangkok also claimed that is hard to find the local foods anymore because of the eviction of the vendors in the market”. Ultimately, the greatest loss of the city is its street food scene, which thus extinguishes a city’s unique culture (Sauers, 2016).

As discussed in Lee and Barker (2006), the increase in rental costs have forced the eviction of traditional business owners as new and current landlords find it more profitable to turn their premises into boutique hotels or cafes. This questions the sustainability of gentrification in George Town as those who are incapable of accessing this new class need to relocate. For example, escalated rental costs has forced “kopi-tiam” owners and other business owners within the World Heritage Zone, such as coffee shop Kong Thai Lai, Wai Kee Chicken Rice at Sky Hotel and Tai Chuan Coffee Mill to vacate their premises due to inflated rental. While these traditional businesses remain part of the outstanding universal value (OUV) of intangible cultural heritage and tradition of George Town, what used to be shop houses housing residents and small businesses have already been replaced by boutique hotels and “hipster cafes” that aren’t exactly accessible to all. This is because a cup of coffee that costs RM10 (US\$2.50) and above isn’t exactly affordable to many where the average income is approximately RM3000 (US\$750) per month.

Apart from the transformation of traditional businesses, other heritage buildings built during British colonial times have been restored and used to house local businesses (see Figure 5) or boutique hotels (see Figure 6). For example, Chong Tian Cultural Hotel, aims to transport its guests back to the nineteenth century by showcasing rich and luxurious Chinese heritage items from the 1800s. This concept is similarly found in the Peranakan Mansion and Cheong Fatt Tze Mansion, as its well preserved Chinese architecture and carvings alongside British geometric tiles make them iconic buildings in Malaysia.



Figure 3 shop houses (tiam chu) near Beach Street (left), interior of Chong Tian Cultural Hotel

## 5. CONCLUSION

George Town remains in danger of becoming a tourist town that lacks its original charms of a living cultural heritage as higher rental costs have forced traditional business owners to vacate their premises for landlords find it more profitable to turn their premises into boutique hotels or cafes. The sustainability of gentrification in George Town is questioned as properties are being purchased en masse by foreigners while many locals remain incapable of accessing this new class are left facing relocation and exclusion. Escalated rental and property prices have forced traditional business owners and tenants within the World Heritage Zone to be evicted for the owners of these pre-war shop houses find it more profitable to turn their premises into boutique hotels or cafes.

On 5 July 2016, Lim Guan Eng stated that the state government is studying the possible reintroduction of the Rent Control Act. This statement is in recognition of how property rentals in George Town have inflated beyond the capabilities of those residing in the heritage site. The Chief Minister also added how the reintroduction of this Act is a move in stopping gentrification that was “driving locals and living heritage away from pre-war houses in the core and buffer zones of heritage site”. According to Lim, the reintroduction of the Act would be an “improved version” of the Rent Control Act 1966 and only house owners would be allowed to “impose rental according to market rate” (Tan 2016). The decision to reintroduce the Rent Control Act in Penang is in line with the arguments of this paper about how gentrification works in George Town while carried out in the name of enticing tourists, is in grave danger of losing its identity. Such cultural heritages are not to be preserved solely for the gazes of tourists but for our future generations.

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