

## Home to (Private) Car Price Ratio

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This ratio intends to add an interesting angle of view on residential real estate prices, and is, at least for now, more of a playful, subjective and arbitrary creation on the part of the author (notwithstanding the possibility of coincidental creations). The concept behind is simple = how many (private) cars would one have to forfeit (buying, owning and using) in order to purchase a home? As such, it gives you a **'feel' of how expensive and burdensome (or inexpensive and lack of burden) it is to purchase a / the home**. Here's a very rough gauge of the Hong Kong situation assuming a certain category of homes being 'matched' by a certain category of (brand new) private cars:

- a) **The "Starter" Homes** = those averaging HK\$1.5M-2M such as the smaller apartment units (or flats), say averaging 600 square feet or so in gross floor area each, within a residential complex located in the New Territories (more or less the suburbs of Hong Kong). Most of the families within this category are unlikely to own a car, yet if one assumes an average of HK\$100,000 for the most practical (lowest priced) cars, then the home to car ratio would range roughly between 15 – 20, say an average of 18 rounded up.
- b) **The "Mover-Up" Homes** = those averaging HK\$3M such as some of the units, say averaging 800 square feet in gross floor area each, within a major residential complex located in Kowloon or Hong Kong Island. It is believed many of these families do not own or need a car, yet if one assumes an average of HK\$200,000 for a 'matching' middle class family car, then the home to car ratio would roughly be 15.
- c) **The "Professionals – Middle Managers" Homes** = those averaging HK\$6M such as some of those flats, say averaging 1,000 square feet in gross floor area each, in Western / Eastern Mid-Levels. Many such families are liking to own a car, and assuming an average car price of HK\$400,000, then the home to car price ratio would roughly be 15.
- d) **The "Senior Executives – Top Managers" Homes** = those averaging HK\$10M such as units in some of the more luxurious grades of residential developments around Hong Kong. Most if not all of these families would own a car, with some likely to have more than one car. Assuming an average car price of HK\$800,000, then the home to car ratio would roughly be 13 rounded up.
- e) **The "Really Luxurious" Homes** = those from at least HK\$20M and up well into the hundreds of millions range. These would include the really luxurious locations such as Repulse Bay, the Peak and so on and the estate homes in them. To a certain extent, the home to car price ratio carries little meaning here as the most expensive cars would cost only several millions (unless assuming special made-to-order versions). Nonetheless, if a wild guess is to be made based on say a HK\$20M home and a car of say HK\$1,200,000, then a likely ratio would be around 17 rounded up.

Please note that the above is **focused more on the affordability angle** rather than on the investment angle. While collectively better off people tend to drive more expensive cars, individually there will be exceptions. Furthermore, there is at least for now no

benchmark ratio above which would mean excessive burden or vice versa and no allowances have been made for geo-economic and policy-taxation (related to car ownership etc) differences in different places. Nonetheless, if a very rough benchmark is to be made, perhaps then a ratio below 10 may imply a relative light burden while one above 20 means some excesses.