

Prudential measures for mortgage loans on non-residential properties

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) today (August 19) relaxed the countercyclical macroprudential measures for mortgage loans on non-residential properties. The applicable loan-to-value ratio caps for mortgage loans on non-residential properties are adjusted upward by 10 percentage points, from 40 per cent to 50 per cent for general cases. The adjustment takes effect from August 20, 2020.

The Chief Executive of the HKMA, Mr Eddie Yue, said, "As in other jurisdictions, the COVID-19 outbreak has led to significant pressure on the Hong Kong economy. While the residential property market has remained firm, we have seen major corrections in prices, as well as transaction volumes, of different types of non-residential properties including offices, flats and retail premises. With the pandemic and escalating geopolitical tensions continuing to weigh on business confidence, non-residential property markets are likely to remain under pressure. Taking into account factors such as the price trends of non-residential properties, transaction volumes, economic fundamentals, and the external environment, the HKMA considers it appropriate to adjust the countercyclical macroprudential measures on non-residential properties."

Mr Yue added that, "The outlook for the Hong Kong economy and the property market remains highly uncertain. The HKMA will continue to monitor developments closely and introduce appropriate measures in response to changes in the property market cycle to safeguard banking stability."

The HKMA also reiterated in its circular to banks today that its countercyclical macroprudential measures are intended to apply to mortgage loans for the purpose of financing property transactions or the refinancing of existing properties. These measures are not intended to apply to credit facilities secured by properties for the purpose of financing the business operation of corporates, as these facilities are subject to a set of comprehensive credit underwriting standards and regular credit reviews by authorised institutions.