

## Eddie Yue: Remarks at Media Standup

Remarks by Mr Eddie Yue, Chief Executive of the Hong Kong Monetary Authority, at the Media Standup, Hong Kong, 7 July 2023.

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Today I would like to announce that, after careful consideration, the Hong Kong Monetary Authority (HKMA) has decided to adjust the countercyclical macroprudential measures for property mortgage loans.

Since the measures were implemented in 2009, the HKMA has been closely monitoring market conditions, including property prices and transaction volumes, and the local and external economic environment, with the aim of evaluating the need for appropriate adjustments to the measures to ensure that banks manage the risks over their property mortgage lending business effectively, and have sufficient capacity to cope with challenges from a sharp correction in property prices.

Following the COVID-19 pandemic and with interest rates rising, there has been a correction in housing prices in Hong Kong since 2022. Despite a rebound early this year, market data showed that at the end of June housing prices were down 13% from their peak in 2021. The situation in the non-residential property market was similar. The prices of offices, flatted factories and retail premises fell by 20%, 8% and 17% respectively from their peaks in 2018-2019.

Externally, as major economies continue to face high inflationary pressures, interest rates may remain elevated for some time. Any slow-down in the global economy due to high interest rates would inevitably affect the local economy. Taking all relevant factors into account, the HKMA has decided to make several adjustments to the countercyclical macroprudential measures for property mortgage loans, while continuing to maintain banking stability and ensuring the proper risk management of property mortgage loans. These adjustments include:

- Adjusting the maximum loan-to-value (LTV) ratio for self-occupied residential properties. The maximum LTV ratio for residential properties with a value of HK\$15 million or below will be increased to 70%. For properties valued at more than HK\$15 million and up to HK\$30 million, the maximum LTV ratio will be increased to 60%. For residential properties with a value above HK\$30 million, the maximum LTV ratio will remain unchanged at 50%. To avoid a sudden drop in applicable LTV ratios, ratios for properties in certain value ranges will change gradually. The maximum LTV ratio for non-self-use residential properties will remain unchanged at 50%.
- Increasing the maximum LTV ratio for non-residential properties from 50% to 60%.
- Increasing the maximum LTV ratio for property mortgage loans assessed based on the net worth of borrowers from 40% to 50%. This adjustment is applicable to both residential and non-residential properties.

Since these adjustments are a relaxation of the countercyclical macroprudential measures, they can take effect from today and will apply to property transactions with provisional sale and purchase agreements signed today or subsequently.

This is the first time the HKMA has relaxed the countercyclical macroprudential measures for residential properties since they were introduced in 2009. We would like to emphasise that, even with these adjustments, the Hong Kong banking sector has ample buffers to cope with any challenges from a sharp correction in property prices. Therefore we consider that there is room to relax these measures.

Following these adjustments, property buyers will be able to take out mortgage loans at higher LTV ratios. But I would like to take this opportunity to remind everyone that buying a property is an important life decision. Prospective buyers should carefully assess their ability to afford to purchase a property and the financial risks involved.

Later today HKMC Insurance Limited will announce amendments to the Mortgage Insurance Programme aimed at better helping homebuyers to address their housing needs.