



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref.: B1/15C  
B9/25C

19 August 2020

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Prudential Measures for Mortgage Loans on Non-residential Properties**

I am writing to inform you of the adjustments the HKMA introduced today to the prudential measures for mortgage loans on non-residential properties.

As a result of the COVID-19 pandemic, Hong Kong's real GDP fell by 9% year-on-year in the second quarter, following a record decline of 9.1% in the preceding quarter. Both private consumption expenditure and investment spending have shrunk markedly. The escalating geopolitical tensions have also led to continuing pressure on business confidence.

Notwithstanding the sharp economic contraction, the residential property market remains firm, with prices dropping by only 2.7% between the latest peak in May 2019 and June 2020, based on statistics compiled by the Rating and Valuation Department. Transaction volume in the first half of 2020 also increased by 8% compared with the second half of 2019. On the other hand, non-residential property markets have seen major corrections. The prices of offices, flatted factories and retail premises declined by 15%, 11% and 10% respectively. The decline is particularly severe for retail premises in core districts. Transaction volumes of non-residential properties also contracted in the first half of 2020. With business confidence continuing to be affected by the COVID-19 pandemic and the rising geopolitical tensions, non-residential property markets are likely to remain under pressure.

In view of these developments, the HKMA considers it appropriate to adjust the countercyclical macroprudential measures for mortgage loans on non-residential properties. The applicable loan-to-value ratio caps under different scenarios for non-residential properties are thereby adjusted upward by 10 percentage points.

They are set out in the **Annex**.

The above measure takes effect from 20 August 2020 and applies to transactions where the provisional sale and purchase agreement is signed on or after that date. There are no changes to the other countercyclical macroprudential measures including those relating to residential properties.

We would like to take this opportunity to reiterate that the HKMA's countercyclical macroprudential measures are intended to apply to mortgage loans for the purpose of financing property transactions or the refinancing of existing properties. They are not intended to apply to credit facilities secured by properties for the purpose of financing the business operation of corporates, as these credit facilities are subject to a set of comprehensive credit underwriting standards and regular credit reviews by authorized institutions.

Should your institution have any questions about this circular, please send them to [rml\\_hkma@hkma.gov.hk](mailto:rml_hkma@hkma.gov.hk).

Yours faithfully,

Arthur Yuen  
Deputy Chief Executive

**Loan-to-value Ratio (LTV) caps and Debt Servicing Ratio (DSR) limits  
for property mortgage loans with effect from 20 August 2020**

Table 1: LTV caps

Property value	Residential properties				Commercial and industrial properties, and car parks	
	Self-use		Non-self-use or company held			
	Applicants whose income is mainly derived		Applicants whose income is mainly derived		Applicants whose income is mainly derived	
	in HK	from outside of HK <sup>1</sup>	in HK	from outside of HK <sup>1</sup>	in HK	from outside of HK <sup>1</sup>
<b>Applicants who have <u>not</u> borrowed or guaranteed other outstanding mortgage(s) at the time of making a mortgage application<sup>2</sup></b>						
<b>DSR-based lending</b>						
< HK\$10 million	60% (subject to a loan cap of HK\$5 million)	50% (subject to a loan cap of HK\$4 million)	50%	40%	<del>40%</del> <b>50%</b>	<del>30%</del> <b>40%</b>
≥ HK\$10 million	50%	40%				
<b>Net worth-based lending</b>						
Regardless of value	40%				<del>30%</del> <b>40%</b>	
<b>Applicants who have borrowed or guaranteed other outstanding mortgage(s) at the time of making a mortgage application</b>						
<b>DSR-based lending</b>						
< HK\$10 million	50% (subject to a loan cap of HK\$4 million)	40% (subject to a loan cap of HK\$3 million)	40%	30%	<del>30%</del> <b>40%</b>	<del>20%</del> <b>30%</b>
≥ HK\$10 million	40%	30%				
<b>Net worth-based lending</b>						
Regardless of value	30%				<del>20%</del> <b>30%</b>	

**Loan-to-value Ratio (LTV) caps and Debt Servicing Ratio (DSR) limits  
for property mortgage loans with effect from 20 August 2020**

**Table 2: DSR limits**

	<b>Residential, commercial and industrial properties, and car parks</b>			
	<b>Self-use<sup>3,4</sup></b>		<b>Non-self-use</b>	
	<b>Applicants' income mainly derived</b>		<b>Applicants' income mainly derived</b>	
	<b>in HK</b>	<b>from outside of HK<sup>1</sup></b>	<b>in HK</b>	<b>from outside of HK<sup>1</sup></b>
<b>Applicants who have <u>not</u> borrowed or guaranteed other outstanding mortgage(s) at the time of making a mortgage application<sup>2</sup></b>				
Base DSR limit	50%	40%	40%	30%
Stressed DSR limit (assuming a 300-basis point hike in interest rate)	60%	50%	50%	40%
<b>Applicants who have borrowed or guaranteed other outstanding mortgage(s) at the time of making a mortgage application</b>				
Base DSR limit	40%	30%	40%	30%
Stressed DSR limit (assuming a 300-basis point hike in interest rate)	50%	40%	50%	40%

Notes:

- 1 Applicants will not be subject to the reduction if they can demonstrate having a close connection with Hong Kong, e.g. they are seconded by local employers to work outside Hong Kong with documentary proof provided by the employers; or their immediate family members (i.e. parents, spouse and descendants) are residing in Hong Kong.
- 2 The limits are applicable to a borrower who has 1 property under mortgage and is making a mortgage application for either (i) refinancing; or (ii) acquiring a new property before disposing the existing one. In the latter case, the applicant has to repay the outstanding mortgage loan for the existing property within 6 months upon the drawdown of the mortgage loan for the new property.
- 3 "Self-use" refers to occupancy by the owners or their immediate family members (i.e. parents, spouse, children and siblings), or by an individual majority shareholder or his/her immediate family members if the property is held by a shell company.
- 4 The HKMA's countercyclical macroprudential measures are intended to apply to mortgage loans for the purpose of financing property transactions or the refinancing of existing properties. They are not intended to apply to credit facilities secured by properties for the purpose of financing the business operation of corporates, as these credit facilities are subject to a set of comprehensive credit underwriting standards and regular credit reviews by authorized institutions.