

Box 3.1**Latest Government measures on the property market (February 2013)**

In view of the renewed exuberance in the property market on entering 2013, the Government introduced another round of demand management measures for both residential and non-residential properties in late February. The Hong Kong Monetary Authority (HKMA) also launched a new round of macro-prudential measures, the sixth since October 2009, to strengthen the risk management of the banking sector's mortgage lending business. These measures are summarised below.

(1) Increase the ad valorem stamp duty (AVD) rates for residential and non-residential property transactions

To increase the cost of transactions, the AVD rates applicable to both residential and non-residential property transactions were doubled. For transactions valued at \$2 million or below, the AVD was raised from \$100 to 1.5% of the consideration or value of the property (whichever is higher). The new AVD rates do not apply to Hong Kong Permanent Resident buyers acting on their own behalf and who are not beneficial owners of any other residential property in Hong Kong at the time of acquisition of a residential property.

(2) Advance the charging of AVD on non-residential property transactions

To increase the transaction costs for the non-residential market and forestall any possible shift in exuberance from the residential market to the non-residential market, the AVD will be charged on an agreement for sale and purchase of a non-residential property, instead of when a conveyance on sale of non-residential property is executed. This standardised the stamp duty regime for both residential and non-residential property transactions.

(3) Tighten the terms of mortgage lending

The HKMA's new round of measures is as follows:

- Require banks to assume a mortgage rate increase of 300 basis points, instead of the existing 200 basis points, in stress-testing the repayment ability of mortgage loan applicants for both residential and non-residential properties.
- Lower the maximum loan-to-value (LTV) ratios of mortgage loans for all non-residential properties, whether or not for self-use, from the existing applicable levels by 10 percentage points.
- Set the maximum LTV ratio of mortgage loans for standalone car park spaces at 40% and the maximum loan tenor at 15 years. Other requirements on maximum LTV ratio and debt-servicing ratio applicable to non-residential property mortgage loans also apply to standalone car park space mortgage loans.
- Introduce a risk-weight floor of 15% for all new residential mortgages granted by banks using the internal ratings-based approach.

These measures would help ensure a healthy and stable development of the property market and maintain the overall macroeconomic and financial stability. The Government will closely monitor the market situation and introduce further measures when necessary.