

***** Luxembourg residential mortgage market to get curbed *****

Luxembourg's residential mortgage market is getting in a jittery state as real estate prices have continued to soar relentlessly over the past years. The number of speculative real estate investments has risen dramatically and homeowners have racked up substantial debt to finance their real estate purchases.

To counter these trends, the Luxembourg financial sector supervisor – the CSSF – has decided to use its new powers (granted to it only last year), to impose a cap on mortgage loan-to-value ratio on supervised lenders. So, lenders will have to cap their rental housing loans at 80% of the property's value from January 2021, meaning that a purchaser of a such a property will have to look for the remaining 20% down-payment elsewhere. By way of exception, first-time residential real estate and secondary residence buyers who plan to live in the acquired property will be able to get a mortgage of up to 100% and 90% of the property value respectively.



As a result of the introduced mortgage caps, demand for new residential mortgages is likely to suffer and further lockdowns and economic uncertainty might as well cause homebuyers to put off an acquisition of a new rental property or secondary residence for better times.