• Trends in the supply and price of residential properties were explored.
• Strategies to promote an efficient housing market were proposed.
• More houses were available in areas where people with medium to high incomes live.
• Housing and land prices were higher in and near the central business district than in other areas.
• The construction phase of the liquefied natural gas project played an important role in driving housing prices up.
• To promote an efficient housing market, it is necessary to make customary land more accessible, reduce import duties on building materials, train more people in property development, and support research on uses of local building materials.
ASSESSMENT OF MARKET PRICES FOR RESIDENTIAL PROPERTY IN PORT MORESBY: DO LOCATION AND PROPERTY TYPE MATTER?

By E. Ezebilo, L. Hamago, and C. Yala

This Issues Paper provides a snapshot of residential property market trends in Port Moresby. It reports on the supply and prices of residential properties. It examines whether location and property type influence the prices, and it discusses possible strategies for promoting an efficient housing market. The data were obtained from advertised property prices in Port Moresby in *The Nation* newspaper from February 2014 to February 2015. It was found that Boroko had the highest number of houses advertised, and Gordons had the highest number of blocks of land. The highest average weekly rental price for a three bedroom home was 3,948 Papua New Guinea Kina (PGK), or USD1,316. The highest sales price was PGK 6,221,000 (USD2,073,667). The highest sales price for one hectare of land was PGK 29,854,000 (USD9,951,333). It was also found that properties in or near the central business district (CBD), including in Town (also known as Downtown) and Boroko, had the highest rental and sales prices. Rental and sales prices of standalone houses were higher than those of apartments in or near the CBD, but this was not so for areas far from the CBD such as 9 Mile and 8 Mile. To promote an efficient housing market, it is important to put more effort toward making customary land more accessible for development, reviewing import duties on building materials, training more people on skills related to property development, supporting research on use of available local materials for building houses, and providing basic infrastructure in areas where it is lacking. Our findings will provide policy-makers and planners with more understanding of possible ways of designing and planning a more sustainable housing policy that meets societal preferences and demands.

Introduction

A house is a multidimensional good that can be differentiated into a bundle of attributes that differ in quantity and quality (Can 1990). These include physical attributes, such as number of rooms, lot size, and housing type (detached or attached); and community attributes, such as population and characteristics of neighbourhoods and accessibility to places of work. People’s preferences for these attributes often differ. For example, in a study of the effect of the form of housing development on neighbourhood satisfaction, Kearney (2006) found that people have negative feelings towards high-density development due to the resulting unattractive landscape and obstruction of views.

Many factors have been identified that influence property prices. For example, studies of affordable housing delivery in Nigeria (Nubi 2008) and regulation and the rise in housing prices in Manhattan in the United States (Glaeser et al. 2005) found that shortages in the supply of land and housing relative to demand push up housing prices. In a study of housing supply and demand in Nigeria, Makinde (2014) found that high land allocation costs, high cost of building materials, and lack of skilled personnel also push up housing prices. Other factors include accessibility to the city centre and amenities. In a study of the effect of location on housing prices in Hong Kong, Tse (2002) found that the closer a house is to the city centre and amenities, the higher the price, and as house prices increase, low-income households tend to move to locations with inferior accessibility, where prices are lower. Environmental factors such as characteristics of the landscape where the house is located influence housing prices. For example, in a Dutch study of the effects of trees, water, and open spaces on house prices, Luttik (2000) found that the closer a house is to water or open space, the higher its price will be. Housing prices also increase with the number of bedrooms and bathrooms and the size of the rooms, as well as the newer the house, the higher will be the price of the house (Zeitz et al. 2008).

The residents of Port Moresby are heterogeneous, and so are their preferences and demands. Thus, the sales price of a house is arrived at when the house supplied by the seller meets the demand of a potential buyer to produce an equilibrium price. However, the price fluctuates with time. It might rise above the equilibrium price when there is a shortage in the housing supply and drop below the equilibrium price when...
there is an excess supply of houses relative to demand. House sellers often face a trade-off between the time it takes to sell a house and the price received (Anglin et al. 2003). If they set too high a price, they risk having the house on the market for a long period. If the price is too low, they may have a quick sale but receive less than they could have received with better market exposure. For the housing market to function properly, property developers need to supply properties that consumers want and are willing to pay for.

Previous research

In a recent study of property price movements in Port Moresby, Endekra et al. (2015) found that sales prices for all property types had a rising trend, and rental prices tended to be stable. They also found that houses informally developed in unplanned areas are often advertised mainly for rentals. Our research has a few similarities to their study, especially in data collection procedures; however, there are several differences. We hope that this study will build on the earlier research and improve on it where appropriate.

Endekra et al. (2015) focused mainly on a general overview of property prices, which makes the findings difficult to use for comparison. We attempted to fill this knowledge gap by using units that allow for comparison of property prices between different suburbs of Port Moresby, and potentially other cities in Papua New Guinea (PNG). We also explored the supply of residential properties in various areas of Port Moresby, as well as strategies to increase the supply of housing in Port Moresby, topics that Endekra et al. (2015) did not address.

Another key difference lies in the timing of the research. Endekra et al. (2015) carried out their study during the construction phase of the PNG liquefied natural gas project, while our study was conducted after its completion, from 2014 to 2015. It has been argued that the construction phase of this project was a major driver of increased activity in the Port Moresby property market (Endekra et al., 2015), and we were able to test that premise. Several new property developments have also emerged in Port Moresby since Endekra et al. (2015) completed their data collection—including private housing estates such as Edai Town and Skyview Estate, new roads, an upgrade of Port Moresby International Airport, several new hotels, and big shopping malls such as Vision City. The 2015 Pacific Games, and preparations for the Asian Pacific Economic Cooperation meeting scheduled for 2018 might have had an impact on property prices when data for this study were collected.

The aim of this paper

This study examined the supply and pricing of residential properties in Port Moresby and investigated whether property type and location influenced pricing. This paper reports on its findings and suggests possible strategies for increasing the supply of housing in a sustainable manner. We hope that it will contribute to ongoing policy discussions on ways to improve the PNG housing market. The findings can also serve as guidelines for potential tenants and residential property buyers, and provide government housing agencies with more understanding of property markets in Port Moresby for planning and policy purposes. Lessons learnt from the trend of property markets in Port Moresby can be used in other parts of PNG.

Port Moresby

Port Moresby, the capital of PNG, is the largest city in the
country. It has a population of 364,125, with an average population density of 16 people per hectare (Global Cities Research Institute 2015; Papua New Guinea National Statistical Office 2015). Due to the economic boom, many development projects in and around Port Moresby have attracted people from other parts of the country in search of better employment opportunities. The supply of housing has not kept up with the increasing demand, leading to shortages that drive up property prices beyond the reach of many people. This is mainly due to the shortage of available land. Private property developers often prefer investing in state-owned land, which accounts for 60 percent of land in Port Moresby, but which is almost exhausted. Most customary land, which accounts for the other 40 percent of land in Port Moresby, does not have a secure title and comes with higher transaction costs, so developers are reluctant to invest in it.

The PNG government has used various initiatives to access customary land for development, such as the National Land Development Program. These efforts are still at a very early stage. Until the National Executive Council established the Office of Customary Land and Development on 16 February 2016 (NEC Decision No: 33/2016), there was no entity whose work focused specifically on customary land.

Port Moresby is subdivided into 15 suburbs: Badili, Boroko, Erima, 8 Mile, 5 Mile, Gerehu, Gordons, Hohola, Korobosea, 9 Mile, Sabama, 6 Mile, Tokarara, Town (also known as Downtown), and Waigani. For a more detailed description of Port Moresby, see Endekra et al. (2015). The city has been booming economically in recent years, leading to the construction of modern houses, commercial establishments, and office towers in various areas of the city. For example, Boroko, once the heart of Port Moresby, is full of modern houses and shopping centres. Historically, Town has been the central business district (CBD), and has more affluent housing, substantial mansions, and apartment buildings (Papua New Guinea Tourism Promotion Authority 2016).

Data collection and analysis

The data used in this research originated from advertisements on the Homes and Property pages of The National newspaper of residential properties offered for rent or sale. We used this source because the property sector in Port Moresby and in PNG in general is not well organised, which makes it difficult to get access to information on property prices from other sources such as real estate agents. Furthermore, informal transactions in the property sector are difficult to account for. The data were collected for 13 months (February 2014 to February 2015) on the first Tuesday of each month. The data collected included property rental price, sales price, location, type (land, apartment, or standalone house), number of bedrooms, land size, and real estate agent placing the advertisement. The months that the data were collected were registered. The data were analysed using simple percentages and simple means. Methods used were similar to those used by Endekra et al. (2015).

Our analysis focused mainly on differences between weekly rental prices for standalone houses and apartments in different locations and times of year. For a more absolute comparison, we also explored rental prices of three-bedroom homes in different locations and times. For property sales, we focused on prices of standalone houses, apartments, and land in relation to location and time of year. We also explored the sales prices of three-bedroom homes and of one hectare of land in relation to location. Some of the land areas that were advertised for sale were listed in square metres and others in hectares; to enable comparison in absolute terms, measurements in square metres were converted to hectares by dividing by 10,000. To calculate the price of one hectare of land for each property, we divided the advertised land price by the land area.

Limitations of the research

The main limitation of the methods used in this research is that the data were based on prices of residential properties that were advertised in a newspaper. Thus, it did not capture the monetary values of properties that were sold or rented without being advertised in this way. Thus, it might not reflect the complete picture of the property market and should be interpreted with caution. Another limitation is that properties that were not sold or rented the first time they were advertised might be readvertised several times and thus counted multiple times in our analysis, which might result in overestimation of the total monetary worth of the property market in Port Moresby.

Apart from location and property type, other important factors can influence property prices, such as lot size, house age, maintenance history, distance to the city centre, and important amenities, as well as neighbourhood characteristics. However, we could not explore these factors, because they were not included in the advertisements.

Findings

Properties advertised for rent or sale by type and location

Approximately 915 residential properties were advertised in The National during the research period (13 months),
of which 56 percent were for rent and 44 percent for sale. Most (74.2 percent) of the properties advertised for rent were apartments, with standalone houses at 25.4 percent and land at 0.4 percent. Most of the apartments and standalone houses that were advertised for rental were from areas dominated by formal land tenure and medium to high-income areas; a few came from areas dominated by informal land tenure and low-income areas. For example, Boroko had the most apartments for rent (22 percent); Erima and 9 Mile had the least (0.8 percent each); Sabama had no apartment for rent. Boroko also had the most standalone houses for rent (22 percent); Badili and 6 Mile had the least (0.8 percent each); Erima and 5 Mile had no standalone house for rent. Full results are presented in Figure 1.

Of properties advertised for sale, standalone houses formed the largest share (52.4 percent), followed by apartments (27.4 percent) and land (20.2 percent). Medium to high-income areas and areas dominated by formal land tenure account for most of the apartments and standalone houses that were advertised for sale. Of the standalone houses, Boroko had the most (19 percent); Badili and 8 Mile had the least (0.5 percent each); 6 Mile had no standalone house for sale. Gordons had the most apartments advertised for sale (20 percent); Badili had the least (0.9 percent); 5 Mile and 6 Mile had no apartment for sale. Of land advertised for sale, Gordons had the most properties (18.5 percent); 5 Mile, 6 Mile and Korobosea had the least (2.5 percent each); Badili, Erima and Sabama had no land for sale. Full results are presented in Figure 2.

Rental price in relation to property type and location

The total monetary value of all properties advertised during the study period was PGK$730,094,190 and the state would have received approximately PGK$21.9 million from stamp duty at 3 percent of sales value. Rental prices for apartments and standalone houses were higher in high-income areas than low-income areas; areas dominated by formal land tenure had higher rental prices than areas dominated by informal tenure. For example, Town had the highest average weekly rental price for standalone houses (PGK$4,250); 9 Mile had the lowest (PGK$725); Badili, Sabama, Erima, 5 Mile and 6 Mile had no standalone houses for rentals. For apartments, Town had the highest average rental price (PGK$3,629); 9 Mile had the least (PGK$633). Properties from Sabama and Erima were not advertised during the survey period. However, during the study by Endekra et al. (2015), some properties were advertised for rent and sale in these suburbs. Full results are presented in Figure 3.

For a three-bedroom house, Town had the highest average rental price (PGK$3,948); 9 Mile the lowest (PGK$725); There were no three-bedroom houses for rentals in Erima, 5 Mile and Sabama. Full results are presented in Figure 4.
Sales price in relation to property type and location

Areas dominated by formal land tenure had higher sales prices for standalone houses, apartments and land than areas dominated by informal tenure; high-income areas had higher sales prices than low-income areas. For example, standalone houses, and apartments in Town had the highest average prices (PGK4,850,000, and PGK6,853,000, respectively); Gerehu had the lowest for standalone houses (PGK569,000), and 9 Mile had least sales price for apartments (PGK800,000). Standalone houses for sale were not advertised for Badili, Erina, 5 Mile, 6 Mile and 8 Mile; no apartments for sale were advertised for Badili, Hohola, Sabama, Erima, 5 Mile and 6 Mile. Full results are presented in Figure 5.

For land, Korobosea had the highest average price, per land parcel as a whole (PGK6,500,000); Waigani had the lowest price (PGK227,000). There were no advertisements for sales of land in Badili, Erina, Hohola, 5 Mile, 6 Mile and 8 Mile. Prices of land in high-income and formal land tenure dominated areas were higher than low-income and informal tenure dominated areas. Average price per hectare was highest in Town (PGK29,854,000); land in 9 Mile had the lowest price (PGK3,552,000). Full results are presented in Figure 6.

For a three-bedroom house, Town had the highest average price (PGK6,221,000); Gerehu had the lowest (PGK613,000). There were no three-bedroom houses for sale in Badili, Erina, 5 Mile, 6 Mile and 8 Mile during the period of this study. Full results are presented in Figure 7.

Rental price in relation to property type and time of year

During the study period, June 2014 had the highest average rental price for standalone houses (PGK3,303); October 2014 had the lowest price (PGK1,500). For apartments, July 2014 had the highest rental price (PGK2,613); March 2014 had the lowest price (PGK1,640). Full results are presented in Figure 8.

The average weekly rental price for a three-bedroom house was highest in February 2015 (PGK2,683), followed by June (PGK2,595) and July 2014 (PGK2,537); the price was low-
Sales price in relation to property type and time of year

November 2014 had the highest average sales price for a standalone house (PGK3,095,000); August 2014 had the lowest price (PGK996,000). For apartments, October 2014 had the highest sales price (PGK5,175,000); August 2014 had the lowest price (PGK2,128,000). There was no advertisement for sales of apartments in January 2015. February 2015 had the highest sales price for land (PGK2,503,000); March 2014 had the lowest price (PGK440,000). Land sales were not advertised in December 2014 and January 2015, respectively. Full results are presented in Figure 10.

The average sales price for a three-bedroom house was highest in February 2015 (PGK4,200,000); August 2014 had the lowest price (PGK1,309,000). Three-bedroom house was not advertised for sales in January 2015. Full results are presented in Figure 11.

Trends in property supply and pricing

The findings from this research revealed that rental and sales prices for housing in Port Moresby mainly depend on location and whether the property is a standalone house or an apartment. Sales price of land depends on location. This suggests the importance of considering property type and location in designing housing policy and urban planning. Not surprisingly, areas of Port Moresby that were historically regarded as prestigious, such as Town, were associated with the highest property prices. Furthermore, areas regarded as places where low-income people often live, such as 9 Mile and Gerehu, had the lowest property prices. This indicates that the history of an area plays an important role in the price of properties located there.

These findings are in line with those of Endekra et al. (2015), who found that properties in Town had the highest prices...
and those in areas such as 9 Mile had the lowest prices. However, our findings on the time of year when most properties were advertised for rent or sale differed slightly from those of Endekra et al. (2015). They found that the peak period for property rental and sales was between the third and fourth quarters of the year, while we found the peak period to be between fourth and first quarters. The time of year that market transactions occurred and the state of the PNG economy were also important factors influencing property prices. For example, during an economic boom, there will be more money in people’s pockets, which will stimulate consumption of goods and services. This suggests that during boom times there will be high demand for housing, and if the supply cannot match the demand, prices will go up.

Housing prices

Using findings from the study by Endekra et al. (2015) as a basis for comparison of property prices from July 2012 to February 2015, we can say that the sales prices of apartments and standalone houses have generally decreased. Land prices have decreased in some areas, such as Town, Gerehu, and Waigani, but have increased in areas such as Boroko, Korobosea, and Gordons. Rental prices for apartments and standalone houses have generally decreased in and around the CBD, and have increased in areas farther from the CBD. Our findings support the premise that the construction phase of the PNG liquefied natural gas project was an important driver of the property market in Port Moresby. During that time, there was a high demand for housing, which the supply of housing could not match, leading to high housing prices.

It seems that some people who used to live in or near the CBD can no longer afford housing there and are moving to areas a long distance away (such as 9 Mile and 8 Mile) where they are able to pay for housing. The high demand for housing relative to supply in the historically low-cost areas must have pushed up the housing prices there. Although residential property prices have decreased in some areas of Port Moresby, the prices are still high, and people with a low income may find it difficult to pay rent.

For example, average weekly rental for housing ranges from PGK633–4,250 (USD211–1,417); multiplied by four, the low end of that range yields a minimum monthly rental price of PGK2,532 (USD844). However, according to Salary Explorer (2016), the minimum monthly salary in Port Moresby is PGK2,000 (USD667) or approximately PGK1,400 (USD467) after taxes, obviously not enough to cover even a low rental rate.

Likely locations for new housing developments

Sellers often supply more products in areas where there is high demand for them (Dolan and Lindsey 1988). The findings from this research showed that most of the advertised residential properties were in medium- to high-income and prestigious areas of Port Moresby such as Boroko, Gordons, and Town. A possible reason is that these areas are near to CBD employment centres, and thus some residents are willing to pay higher prices for housing, which are compensated by the lower cost of commuting to work. Moreover, they provide better access to basic infrastructure such as pipe-borne water, good road networks, sewerage, schools, a hospital, and markets, which could have provided residential property developers with more economic incentives to build houses in these areas. There are also fewer security concerns, and most of the land has secure tenure, which make it more attractive for property developers and buyers.

Our findings conform to traditional location theory, which suggests that housing and accessibility to an employment centre are jointly purchased (Tse 2002). Our findings also conform to those of Ozanne and Thibodeau (1983), who reported that high-income metropolitan areas often have more new houses of better quality than other areas of the city. The findings suggest the importance of developing a housing strategy that focuses on the renewal of Port Moresby, such as decongesting the CBD by improving the status of or introducing basic infrastructure in areas located farther from the CBD, such as 9 Mile and 8 Mile. This has the potential to attract more property developers and more city residents to those areas. In the long run, more houses will be built and supplied to the market, and, all things being equal, should contribute to lowering housing prices in Port Moresby.

The effect of location on prices

Houses and land located in or near the CBD, employment centres, and recreation amenities will attract higher rental and sales prices than those in areas farther away. This study found that rental and sales prices for houses and land located in or near the CBD, near the sea, or on Paga or Touaguba Hill were higher than in other areas of the city. For example, the rental and sales prices for a house and land were higher in Town, Boroko, and Korobosea than in areas such as 9 Mile, Gerehu, and 8 Mile. A possible reason is that people often prefer to live in areas where they can get access to the most infrastructure and use less time to travel to work and recreation, as well as areas with fewer security concerns. Moreover, many people believe that living close to the sea or another
water body is healthier and more refreshing as the sea helps to reduce pollutants. This suggests that people would be willing to pay more for a house or land located in or near the CBD and near water. Furthermore, most houses and land located in areas such as Town, Boroko, and Korobosea have formal land titles and town planning approval, which makes them secure. This could create greater demand for housing in these areas. Land in these areas is almost exhausted, leading to a shortage in supply relative to demand and thus pushing up prices of available houses and land.

Our findings conform to the economic theory of demand and supply, that is, that the lower the quantity of available residential property relative to demand, the higher the price is (Varian 2010). Our findings also conform to those of Makinde (2014) and Luttik (2000), who reported that sales and rental prices were higher in city centres than in peri-urban areas, and that environmental factors such as closeness to water and attractive landscape contribute to housing prices. If the aim is to increase the supply of housing and land in Port Moresby, a paradigm shift in policy is needed. More attention should be focused on educating customary landowners on the importance of land registration, land titles, and secure land tenure. Basic infrastructure should be built where it is lacking, and existing infrastructure should undergo maintenance when needed. It is also important to consider provision of more recreational amenities in various areas of Port Moresby to help meet residents’ preferences and demands.

The effect of housing type on prices

Standalone houses are often more spacious than apartments and are likely to attract higher rental and sales prices. Moreover, unlike residents of standalone houses, apartment residents must share some facilities, such as staircases, gardens, and lawns. Our findings revealed that standalone houses in or near the CBD (for example, in Town, Boroko, Korobosea, and Gordons) had higher rental and sales prices than apartments. However, in areas farther from the CBD, prices were higher for apartments than for standalone houses. A possible reason is that there is a greater shortage of apartments than of standalone houses in those areas, which is not the case for areas in and near the CBD. It could also be that most of the apartments in areas farther from the CBD—such as Ge-rehu, Waigani, and Tokarara—tend to be newer than standalone houses there, and to contain more modern facilities. This could be so because traditionally a standalone house was preferred to an apartment in PNG, and most of the houses might have been built many years ago. However, as more people migrate to the city in search of livelihood opportunities, demand for apartments in multi-family buildings has increased due to the land shortage.

Our findings are in line with those of Makinde (2014), who reported that rural-urban drift leads to a significant demand for multi-family apartment blocks in the city. As more people migrate from various parts of PNG to Port Moresby, it is important to support the building of high-rise multi-family apartment buildings to help accommodate many people within a small area of land, thus maximising the use of land resources.

Optimal seasons for buying or selling

Real estate agents want to maximise benefits from rentals and sales. To do so, they will target the market during the period in which demand for properties is greater than supply. In our experience, potential property buyers often set a savings target at beginning of the year, and invest in properties toward the end of the year. However, some buyers might strategically delay purchase to see whether prices will decline. Our findings revealed that the first and last quarters of the year tend to be the most profitable for sale of residential properties. Potential property buyers will get more benefits if they can avoid buying during these quarters.

It is important for real estate agents and private developers to note that property listing price acts as a signal to potential buyers indicating which houses are in their price range. A listing price that is too high might delay sale of the property, and if the price is too low, buyers might question the quality of the property. This suggests that real estate agents who take more time to identify a buyer will find one who is willing to pay a higher price for a property, and a buyer who searches intensely has a better chance of finding a lower-priced property (Yavas 1992; Taylor 1999).

Policy implications

Scarcity of land is a major driver of residential property prices. Property development in Port Moresby has focused mainly on state-owned land, which is almost exhausted. To promote more economic development, we could supply more customary land to the market, as highlighted in PNG Vision 2050. This could be done by freeing up more customary land through formal incorporated land groups and voluntary customary land registration under the newly established Customary Land Development Office (NEC Decision No: 33/2016). This will help facilitate increased
access, to and use of customary land for economic development as reported by Ezebilo (2015). The Customary Land Development Office could focus mainly on promotion, registration, and governance of incorporated land groups in order to make land available for development. It will also help in registration of land that has been identified for voluntary registration, and development by incorporated land groups under the Land Registration (Customary) (Amendment) Act 1999. Currently, about 97 percent of land in PNG is in the hands of customary landowners, and only 3 percent belongs to the state. Most customary land does not have a secure land title, which makes it difficult for property developers to invest in. Developers often invest in state-owned land because it has secure land tenure and is associated with lower transaction costs than customary land. However, the supply of state-owned land is fixed, while the demand has continued to increase. This has led to a shortage and consequently an increase in housing prices. Activities of the Customary Land Development Office will help release more customary land into the property market, which can be used to build more houses. This will contribute toward lowering housing prices.

Building materials, equipment, and machines are expensive and mostly imported, which contributes to the high housing costs. Thus there is a need to streamline the building process to help increase the supply of housing. This could be achieved by lowering import duties on building materials, as highlighted in sub-section 1.14 of PNG Vision 2050. For example, there is only one cement factory in PNG, and thus cement has to be imported to meet demand. Other important building materials are also not produced in PNG and need to be imported. Thus it is important to lower import duties on building materials, machines, and equipment. This would serve as an incentive for property developers to build more houses at a lower cost, which should lower housing prices.

There are not enough skilled workers in PNG to staff the housing construction industry, so skilled personnel must be hired from abroad, which contributes to the high cost of building houses. It is important for the PNG government to support training of citizens in professional skills such as building technology, architecture, land surveying, urban and regional planning, civil engineering, quantity surveying, and project management, as well as in vocational skills such as carpentry, plumbing, welding, and painting. This will help build the capacity of Papua New Guinean workers and help them acquire the latest knowledge on cost-effective and efficient ways of building houses. This is in line with PNG Vision 2050, sub-section 1.14.

Effective planning is needed in areas such as 9 Mile, where the informal market is inefficiently managed, and is crowding out the residential property market. This will help in the supply of more houses to the formal property market and promote a competitive property market as advocated by the Independent Consumer and Competition Commission (ICCC 2012).

The current system of land allocation promotes allocation of land to speculators. We advocate a market-based system with a clause requiring development within a specific time frame that will promote the timely release of urban housing in a way that is consistent with urban planning.

Sourcing building materials and equipment locally will reduce housing costs. However, the possibility of using available local materials in building modern houses is rarely explored in PNG. It is important for the PNG government to support research on the use of locally available materials for building houses, and the fabrication of machines and equipment locally. This will help reduce the cost of construction and thus reduce housing prices.

Basic infrastructure, such as roads, piped water, and electricity is expensive, and private property developers may not have the capacity to provide it. Provision of basic infrastructure is the exclusive role of the state. Appropriate government agencies should put more effort into providing infrastructure where it is lacking, as well as carrying out maintenance on existing infrastructure. This will provide private property developers with opportunities to build more houses, and consequently increase the supply of housing in Port Moresby.

Conclusions

This issues paper revealed that more houses are supplied in areas where medium- to high-income people live. Housing and land prices are generally high, and many Port Moresby residents find them difficult to pay for. Houses and land located in or near the CBD have higher rental and sales prices than properties located farther away. Depending on the location, rental and sales prices for apartments may be higher or lower than those for standalone houses.

The policy lessons that can be drawn from these findings include the need for more access to customary land, more access to building materials, and more personnel with skills relevant to property development. Other needs include effective and efficient urban planning, local sourcing of building
materials, more basic infrastructure, and improved allocation of land that reduces speculation.

The collection and dissemination of residential property data are important for informed decision-making and evaluation of existing and planned interventions. The findings of this issues paper contribute to this. They will provide property development managers with more understanding of societal preferences and housing demands, which should contribute to housing policy in PNG.

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