Most houses in Port Moresby have high rents.

Some low to middle-income earners are unable to afford house rent in Port Moresby.

Real estate agents and landlords determine house rent by considering factors that influence house rent at house unit level and that influence house rent at city level.

Government should consider regulating activities of real estate agents and landlords and provide more conducive environment for private developers to construct more houses.
Introduction

Housing is a basic human right and is stated in the United Nations (UN) Sustainable Development Goals to ensure everyone has access to adequate, safe, and affordable housing and basic services (Goal 11). However, housing accessibility and affordability has been a problem in many cities in Papua New Guinea (PNG) such as Port Moresby (Ezebilo et al., 2017). House supply has not been able to keep up with the demand (accessibility) which in turn drives prices up beyond what most residents can afford. This article is based on one of the findings of a paper by Wangi and Ezebilo (2021) regarding the factors that effect house rent of residential properties set by landlords and real estate agents in Port Moresby. The study found that landlords and real estate agents consider several factors when assigning house rent. These factors include location, market forces and price comparison. The house rent is usually at the expense of the tenants. This article also discusses some recommendations in regulating residential property prices and addressing the housing affordability issue in Port Moresby.

Factors influencing house rent

A house is a multi-dimensional good that has different characteristics that influence the house rent. The house rent is also influenced by certain economical and societal factors outside of the house itself. These factors can be classified into macro-level factors and micro-level factors. Macro-level factors are those that influence house rent at the city level, which according to Ezebilo (2017) include the following:

- Population of an area – increase in population will mean increase in demand of houses for rent which in turn will result in increased rent;
- Average household income of population – the higher the average income of an area, the higher the rent and vice versa;
- Construction costs – the higher the cost of construction materials and skilled personnel, the higher the construction costs which increases house rent;
- Land shortage – shortage in supply of allocated land for housing means shortage in houses which increases rent;
- Interest rates – low interest rates increase investment in housing, increasing supply of houses, which lowers rent;
- Employment – an increase in employment might provoke a demand in houses which in turn will increase rent.

Micro-level factors are those that influence house rent at the household unit level. This includes the characteristics of the house (Ezebilo & Thomas, 2019) such as the following:

Structural factors

Structural factors are those that are related to the features or physical condition of the house. These include the following:

- Age of the house: the older the house, the lower the rent; however, if renovations are made, it might increase the rent.
- Floor area: the larger the floor area, higher the rent.
- Amenities: houses that have amenities like kitchens, toilets and garages have higher rents. Also houses with commonly shared bathrooms and kitchens have lower rents compared to self-contained houses.
- Rooms: More rooms means increased house rent.

Locational factors

Locational factors are those related to the location of the house relative to different social infrastructure in the area. These include the following:

- Central business district – Houses located closer to the central business district have higher rents than those farther away.
- Accessibility – Houses located close to workplaces, supermarkets, schools, public transportation and other vital facilities increase rents.

Neighbourhood factors

Neighbourhood factors are those related to the characteristics of the area where the house is located. These include the following:

- Crime rate – The crime rate in an area can affect house rent. The higher the crime rate, the less people would be willing to rent in that area which decreases house rents and vice versa.
## Residential houses for rent.

These factors include landlords considering several factors when putting a price on house rents of residential houses. Real estate agents and property in Port Moresby is, in turn, result in the increase of house rents. Economic development, population growth and shortage of land are some factors that contribute to the increased value of real estate property. Environmental factors are those that are related to the environmental characteristics that influence house rent. These include the following:

- **Green spaces** – Houses located near green spaces like parks and community gardens influence rent. They are recreational areas that promote environmental awareness and mental and physical health which attract people. Also, there is better air quality which most people prefer.
- **Blue spaces** – Blue spaces are areas where there is a man-made or natural body of water (lakes, rivers, water parks). For example houses that have a sea view would have higher rents.
- **Backyards** – Houses with bigger backyards (yards) have higher rents compared with those that do not.

### What real estate agents and landlords consider in determining house rent in Port Moresby

Real estate property values are determined by several factors. Economic development, population growth and shortage of land are some factors that contribute to the increased value of property in Port Moresby. This, in turn, result in the increase in house rents of residential houses. Real estate agents and landlords consider several factors when putting a price on residential houses for rent. These factors include

- **Price comparison.** Both real estate agents and landlords determine house rent by comparing rent with other real estate agents and landlords of other properties.
- **Market forces.** The supply and demand in market is a factor that affects sales and house rent. With the scarcity of titled State land for development and the population increase in the city, the demand for houses outweighs the supply, hence increase in house rent.
- **Location.** The location of the house is an important factor that real estate agents consider when fixing house rent. Residential houses that are closer to the central business district have higher rents than those on the fringes of the city. Houses closer to workplaces and other amenities like the bus stop and shops have higher rents.

### Security costs.

Most landlords and real estate agents consider the cost of security when proposing house rent. They consider the location and the kind of neighbourhood that the houses are in. This may be due to the security of the tenants being the landlord’s responsibility. Security incurs an additional expense for landlords which is accounted for in the increased house rent.

### Background of tenant.

Landlords consider the background of a potential tenant and their ability to afford rent when determining house rent. So the tenant is given the chance to negotiate rent prices with the landlords. Real estate agents usually have a range of rent prices that they keep in mind when they negotiate with potential tenants.

### Improvements.

Renovation of house attracts tenants and also increases its value. This includes routine maintenance of the house. However, landlords are not as keen to cover the costs of maintenance and prefer that the tenants pay the maintenance costs. Because of this, it is important that the details of the maintenance and the costs be documented in the tenancy agreement so both parties are in agreement of who will carry the cost and how the maintenance will be carried out. Real estate agents always consider the improvements of a house when determining its value because of its benefits such as increased rent.

### Concerns that tenants often raise

There are issues that affect tenants relative to how real estate agents and landlords go about in determining house rent. These include the following:

- **Price comparison.** Comparing prices with other agents and landlords suggest that agents and landlords fix rent rates without considering the house's characteristics, location and other factors that add and/ or remove value to the house. This means that tenants may not get a fair price and the houses for rent might be overvalued.
- **Advertsement.** Some information are not disclosed when houses are advertised for rent. Older houses usually have lower value than newer houses. However, most agents and landlords do not usually use the age of a house to determine its rent. They do not mention the age of the house when they advertise houses for rent. This can result in the house being overvalued and put on rent for more than its actual worth.
Security costs. Real estate agents and landlords provide security by hiring security personnel and putting up security fences and the costs are often passed to the tenants which increase house rent.

Maintenance issues. Real estate agents and landlords overvalue houses and impose high rents when there is little to no maintenance done to the house. This results in tenants laying complaints of maintenance issues which might be recurring or that take a long time for the landlord to attend to. This affects their quality of living which does not reflect the high rent that they pay.

Rowdy neighbours. Tenants pay more to be in quiet neighbourhoods. Especially in settings where there are housing units owned by one landlord or agent, and there is one tenant that is rowdy, frequently causing disturbances in the area, other tenants might complain of this to the landlord or agent. This results in the rowdy tenant being given notices and/ or eventually being asked to move out of the house.

Ways that can be used to address concerns raised by tenants

In order to tackle the housing affordability issues, there are several strategies that need to be undertaken by the government to ensure tenants are protected and that residential houses for rent are affordable to low to medium-income earners in Port Moresby. Below are some strategies.

- Government should create more conducive environment for the private sector to construct more houses. This means facilitating the process of acquiring land, providing low interest rate loans and also providing trunk infrastructure.
- The Independent Consumer and Competition Commission (ICCC) should consider regulating house rent so that houses for rent are not overpriced.
- ICCC should also regulate the advertisement of houses for rent. They should make it compulsory for real estate agents to declare all important characteristics (age, number of rooms, renovations/maintenance, etc.) of a house that is advertised for sale or rent.
- Most landlords incur the cost of security to the tenants, which increases house rent. If the government wants to provide affordable housing, they should address security problems, especially in areas of high crime and violence rates, to reduce security costs.

Conclusion

Housing is a basic human right and need for all people. However, most Port Moresby residents tend to have access to affordable housing. There are many reasons for the issue of inaccessibility to affordable housing. The main reasons are increasing population rate relative to the low supply of houses, economic development and increasing house rent. Some factors that real estate agents and landlords use to determine house rent are the supply and demand of houses, the location of the house and comparing prices of other houses. The activities of real estate agents and landlords are not regulated by any authority. This allows for the manipulation of house rent which contribute to the high house rent in Port Moresby. In order to address this issue, the government should play a facilitating role for private developers to construct more houses for the low and medium-income earners in the city. ICCC should play a regulatory role regarding the activities of real estate agents and landlords in the house rent market.

References


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