

SPECIAL FEATURE



AN ARTIST'S IMPRESSION OF R H GROUP'S NEW VISION CITY DEVELOPMENT IN WAIGANI, WHICH IS CURRENTLY UNDER CONSTRUCTION.

BUILDING FOR THE FUTURE

PNG's construction boom continues unabated, with a number of significant developments soon to come to fruition.

The Port Moresby and Lae skylines will change significantly over the next three years, as major commercial, residential and tourism developments reach completion.

INCREASED INVESTMENT

Investment in construction has been fuelled by a sustained and acute shortage of real estate, due in part to the resources boom and increased confidence of multinational firms operating in PNG. Increased liquidity, especially from local superannuation funds NASFUND and Nambawan Super Ltd, has freed up capital for real estate development.

The potential PNG liquefied natural gas (LNG) project (which reached an important milestone with the submission of its Environmental Impact Statement in January 2009) is also expected to fuel continued growth in PNG's economy and construction sector, including a possible new 'village' for ExxonMobil project workers in Port Moresby.

SOME CAUTION

The industry is not without challenges. 'Whilst building standards are the same as Australia, the building code is enforced less stringently,' says one expat manager from the sector.

Fletcher Morobe Construction's Managing Director Keith Fletcher says good tradespeople continue to be in short supply, and if the LNG project goes ahead, this shortage will be felt even more keenly.

While PNG is experiencing a boom time right now, he says 'I don't think we are immune to the economic downturn in the long term. It'll be interesting to see what big projects happen over the next year.'

CONSTRUCTION IN THE CAPITAL

Malaysia's Rimbunan Hijau Group of Companies' K1 billion (US\$380 million) Vision City project in Waigani is shaping up as the region's largest retail and real estate development.

Construction will take seven to 10 years. When complete, R H's 'City within a city' will include a 290-room hotel and convention centre, three-storey megamall and about 210 serviced apartments. The 10-storey office development on the site will increase PNG's office space by 60,000 square metres.

Executive Chairman of the Rimbunan Hijau Group, Tan Sri Datuk Tiong Hiew King says the retail operations at the Vision City Mega Mall will generate more than K200 million (US\$70.4 million) of economic activity annually, and that the investment proves that 'R H has full confidence in PNG's economy ... Economic indicators are strong. Government initiatives are creating

EXPANDING PNG'S HOTEL ROOM INVENTORY



THE AIRWAYS HOTEL NEAR PORT MORESBY'S JACKSON'S AIRPORT IS ONE OF A NUMBER OF HOTEL PROPERTIES IN PNG UNDERGOING MAJOR UPGRADES.

Hotel rooms have been in short supply as tourism and business arrivals increased for the sixth consecutive year in 2008 (tourists up 15% for the 12 months ending December 2008). This is driving capital expansion in the tourism sector.

A new wing at the Airways Hotel will accommodate 63 new suites, retail outlets, a day spa, coffee shops and boardroom facilities. It is due for completion by the end of 2009.

The Kumul Hotels group has undertaken a K150 million (US\$52.8 million) expansion and upgrading of the Crowne Plaza and Holiday Inn properties, and has revealed plans to build a new five-star hotel.

Expansion and upgrading work has also been mooted for the Gateway Hotel and the Ela Beach Hotel, where 44 units are planned.

New hotel projects in development include a Coral Seas/Steamships 12-storey combined residential/commercial project in Port Moresby's Mary Street, Kingfisher Apartments near the yacht club, Reef Apartments on Port Road and a Korean-backed venture in Boroko.

Lamana Developments is nearing the final stages of building two new hotels which should be open in mid-2009. They are the Gazelle International in Kokopo, East New Britain and also the Heritage Park Hotel in Honiara, Solomon Islands.

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a stable business environment. Vision City shows that it is possible to make substantial long term investment in PNG.'

PNG's largest trading company, Steamships, is also investing in a number of substantial building projects in Port Moresby, and reported that 'the demand for commercial, industrial and long term accommodation determined favourable results for the property division' in the 12 months to December 2008.

Construction of Steamships' residential and commercial tower in Mary Street is already underway. With two other major developments in process, some 8000 square metres are expected to come onto the market in the next 18 months.

The ANZ Bank will be the anchor tenant in the new Nasfund building at Harbour City on the Port Moresby waterfront. The superannuation fund is now looking to development of Stage 2 of Harbour City, which is due to be on the market by mid 2010.

NASFUND is also funding the redevelopment of Burns Philp Haus, a historical Port Moresby landmark in the Central Business District. NASFUND plans to restore the historic building to its former glory, and revive appreciation for the capital's largest early colonial structure.

DEVELOPMENT OF JACKSON'S AIRPORT

Longer term construction mooted in Port Moresby includes major development at the ex-Papua Hotel site, the possibility of CBD land being freed up by the suggested relocation of the capital's port, and potential expansion at Jackson's International Airport.

Civil Aviation Authority (CAA) Chief Executive Officer Joseph Kintau says he wants to make Jackson's one of the most liveable, comfortable airports in the world, setting the tone for the whole

country. But to do this, the CAA needs international investment partners and a long-term, 30-year strategy.

'The accommodation will be right there. There will be great cargo facilities. The terminals will be improved. There will be more aircraft. It will be busy but there will be space and comfort,' Kintau anticipates.

LAE RISES

As in the capital, rents rose exponentially in Lae last year, and there is an urgent need for commercial space, including warehouse space. Lack of available land is an issue, prompting Hornibrook NGI to establish a K33 million (US\$11.61 million) development with some 150 houses at 9 Mile.

Hornibrooks, along with Lae Builders and Contractors and T Cement, are headquartered in Lae. Its construction division has experienced rapid growth, and NASFUND purchased a 20% shareholding about two years ago. Hornibrooks clients include the Pimaga Hospital in the Southern Highlands, the Tari Secondary High School expansion, a kitchen mess for 700 Oil Search workers at Iagifu Ridge near Moro, and the Nebilyer police station.

More recently, the increasing cost of building materials has prompted Hornibrooks to look towards refurbishing older buildings rather than replacing them. The NASFUND Post Courier building in Lae is one such project.

Other developments in Lae include rooms and apartments being constructed for the Lae International Hotel and PNG's longest bridge—the donor-funded upgrade of the Markham Bridge. A second property is also being mooted for the Steamships portfolio (to join the Melanesian Hotel). ■



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