



# THE HIERARCHY OF LOCATION: WHY SOME LOCATIONS OUTPERFORM OUR LONG TERM RESIDENTIAL LAND VALUE FRAMEWORK

The right location. The right fundamentals. Reinforced over decades.

## 1 THE CORE DRIVERS

Economic Activity, Human Interest & Behaviour

These seven fundamental forces create and sustain long-term value in residential property.

<p><b>1 RICARDIAN RENT THEORY</b> <i>Why Land Has Different Value</i></p>	<p><b>2 AMM THEORY (ACCESSIBILITY)</b> <i>Where Value Sits in the Polycentric City</i></p>	<p><b>3 AGGLOMERATION ECONOMIES</b> <i>Why Demand Concentrates</i></p>	<p><b>4 AMENITY &amp; SPATIAL EQUILIBRIUM</b> <i>The Power of Lifestyle &amp; Quality of Life</i></p>	<p><b>5 SCARCITY PROTECTION</b> <i>Why Supply Can't Easily Respond</i></p>	<p><b>6 INSTITUTIONAL FRICTION &amp; POLITICAL ECONOMY</b> <i>Why Legally Manufactured Scarcity Protects Value</i></p>	<p><b>7 VEBLÉN / STATUS EFFECT</b> <i>Why Humans Overpay for the Best</i></p>
<p>Land differs in productivity &amp; desirability. The best land earns a premium above the marginal (worst land in use).</p>	<p>People and businesses bid more for locations closer to jobs &amp; amenity. Land values peak in these centres/nodes and decline with distance.</p>	<p>Jobs, people &amp; infrastructure cluster together, creating more opportunity, higher productivity &amp; wages, adding stronger housing demand.</p>	<p>Households willingly accept lower nominal wages or pay premium rents to access a better lifestyle. This localized concentration of superior amenities is directly capitalised into higher land values.</p>	<p>Geography, infrastructure capacity, and strictly limited physical land boundaries restrict new supply. Inelastic supply converts rising demand directly into higher land values.</p>	<p>Local planning, heritage overlays, council zoning rules, &amp; entrenched political NIMBYism prevent new development. Regulatory friction ensures established rules cannot easily substitute detached land for high-density supply.</p>	<p>Higher prices signal status, exclusivity &amp; success. This makes premium locations even more desirable &amp; fuels non-rational, highly emotional bidding.</p>
<p><b>KEY TAKEAWAY:</b> More value comes from relative advantage, not improvements.</p> <p><b>INVESTOR IMPLICATION:</b> Buy land that will always be better than the next best alternative.</p>	<p><b>KEY TAKEAWAY:</b> Location and accessibility create predictable value gradients.</p> <p><b>INVESTOR IMPLICATION:</b> Focus on locations with stronger demand &amp; seamless accessibility to primary employment hubs</p>	<p><b>KEY TAKEAWAY:</b> Big, growing cities pull people in &amp; compound demand over time.</p> <p><b>INVESTOR IMPLICATION:</b> Back large capital cities &amp; their connected &amp; accessible satellite cities.</p>	<p><b>KEY TAKEAWAY:</b> Amenities create durable value &amp; drive buyers to compete for the best locations.</p> <p><b>INVESTOR IMPLICATION:</b> Focus on areas with superior amenities &amp; convenience (schools, retail villages, beaches/parks etc.) offering structural lifestyle advantages.</p>	<p><b>KEY TAKEAWAY:</b> Scarcity protection of land locks in value and prevents substitution.</p> <p><b>INVESTOR IMPLICATION:</b> Target established &amp; tightly held areas with rigid geographic or infrastructure constraints that protect physical scarcity.</p>	<p><b>KEY TAKEAWAY:</b> Political and legal boundaries create an artificial scarcity overlay that permanently isolates premium land from supply shocks.</p> <p><b>INVESTOR IMPLICATION:</b> Target established council pockets with strict heritage protections and vocal, affluent communities that actively resist sweeping higher-density re-zoning.</p>	<p><b>KEY TAKEAWAY:</b> Status &amp; prestige can accelerate price growth far beyond underlying commodity fundamentals.</p> <p><b>INVESTOR IMPLICATION:</b> Target premium suburbs where scarcity, lifestyle, and social status reinforce each other.</p>

## 2 THE FIVE ENGINES OF MOMENTUM

Why Good Locations Get Better Over Time

These reinforce the core drivers, creating compounding advantage & durable outperformance.

<p><b>HUMAN CAPITAL CONCENTRATION</b></p> <p>Talented, ambitious people cluster together, driving higher incomes, localised innovation &amp; baseline demand.</p> <p><b>EXAMPLE:</b> Strong universities, tech hubs &amp; high-value professional jobs attract more talent.</p>	<p><b>DEMOGRAPHIC SORTING</b></p> <p>Households naturally sort by shared lifestyle affinities, creating resilient communities. Accelerated by shrinking household sizes, a larger volume of structurally fragmented households disproportionately compete for the same premium, walkable locations</p> <p><b>EXAMPLE:</b> Top school zones &amp; premium family suburbs retain &amp; attract high-earning, like-minded households, including fractured families, further increasing demand</p>	<p><b>AMENITY &amp; SERVICE UPGRADE CYCLE (ENDOGENOUS GENTRIFICATION):</b></p> <p>Incoming wealth drives local amenity upgrades, fuelling endogenous gentrification. This demographic sorting continuously creates premium lifestyle infrastructure for which subsequent buyers willingly overpay</p> <p><b>EXAMPLE:</b> Vibrant retail village → increased foot traffic → increased retail spend → premium retail attracted → stronger residential demand</p>	<p><b>INSTITUTIONAL CAPITAL FLOWS</b></p> <p>Long-term institutional &amp; private wealth capital seeks out the safest, highest-quality land locations. Scarcity systemically intensifies as multi-generational investor capital competes for ownership.</p> <p><b>EXAMPLE:</b> High-net-worth investors, private family offices, and large superannuation funds deliberately buy &amp; crucially, hold prime real estate assets.</p>	<p><b>NARRATIVE &amp; REPUTATION</b></p> <p>Strong cultural stories &amp; historical prestige regarding specific suburbs spread across decades &amp; become entirely self-fulfilling market behaviours. Suburb reputation functions as a permanent, powerful demand driver.</p> <p><b>EXAMPLE:</b> A market moniker like 'The City's Premier Education Belt' shifts from an opinion into an absolute market belief &amp; pricing reality.</p>
<p><b>POSITIVE FEEDBACK LOOP &gt;&gt; This is why premium locations stay premium.</b></p>				
<p><b>KEY TAKEAWAY:</b> Each structural improvement builds on and reinforces the next, helping to interlock the velocity of these five engines and drive a cycle of path dependency and cumulative advantage. This systemic flywheel ensures premium locations continue to preserve their premium status.</p> <p><b>INVESTOR IMPLICATION:</b> Capitalise on path dependency. Prioritise locations where these 5 engines have ignited together: when demographic sorting, amenity upgrades, and capital flows intersect, long-term land value outperformance becomes entirely self-perpetuating.</p>				

## 3 THE CYCLE AMPLIFIERS

Why Prices Accelerate (or Correct) in the Short Term (demand/supply)

Supply/demand factors influencing the speed, timing & volatility of each property cycle—not the multi-decade long-term hierarchy of locations.

<p><b>INTEREST RATES</b></p> <p>Lower rates boost immediate borrowing capacity &amp; fuel demand, while higher interest rates constrict leverage slowing market momentum.</p> <p><b>EXAMPLE:</b> Aggressive rate cuts stimulate transaction volumes; rapid rate hikes moderate immediate price ceilings.</p>	<p><b>CREDIT AVAILABILITY</b></p> <p>Looser serviceability metrics &amp; expanding credit policies increase immediate consumer purchasing power and push up cyclical values and vice versa.</p> <p><b>EXAMPLE:</b> Lax lending environments fuel market booms, while macroprudential tightening cools short-term demand.</p>	<p><b>TAX &amp; POLICY</b></p> <p>Macro shifts in Tax policy E.g. CGT, NG, FBH grants, 5% deposit schemes etc., alter temporary buyer behaviour.</p> <p><b>EXAMPLE:</b> Sudden state or federal policy adjustments can artificially lift or dampen market activity.</p>	<p><b>INCOME / EMPLOYMENT SHOCKS (ECONOMIC CYCLES)</b></p> <p>Broader economic cycles impact overall business investment, wage growth trajectories, and employment security, shifting aggregate short-term housing demand.</p> <p><b>EXAMPLE:</b> A booming broader economy increases active buyer volumes; localised downturns contract near-term market demand.</p>	<p><b>EXPECTATIONS, SENTIMENT &amp; SPECULATION</b></p> <p>Pervasive market optimism - FOMO can push localised cyclical prices well above historical boundaries, while media hype - FONGO can create sharp localised short-term corrections.</p> <p><b>EXAMPLE:</b> Market psychology and collective emotional moods dramatically exaggerate real estate pricing movements in the short term.</p>	<p><b>SUPPLY CONSTRAINTS</b></p> <p>Short-term material shortages, building industry insolvencies &amp; regulations, plus sudden unexpected migration spikes create temporary, acute dwelling deficits.</p> <p><b>EXAMPLE:</b> Rapid spikes in overseas arrivals hit an inflexible short-term construction industry, amplifying cyclical supply squeezes.</p>	<p><b>EXTERNAL SHOCKS</b></p> <p>Black swan global events, macro economic recessions, international conflicts, or unexpected geopolitical corrections alter near-term consumer confidence &amp; market liquidity.</p> <p><b>EXAMPLE:</b> Macro economic uncertainty shifts consumer behaviour toward capital preservation, sparking cyclical volatility.</p>
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**KEY TAKEAWAY:** CYCLE AMPLIFIERS govern short-term market rhythm & temporary tempo; they never dictate a location's ultimate, sustained land value destination.

**INVESTOR IMPLICATION:** While critical for market timing, long-term outperformance relies on the 7 Core Drivers, dynamically compounded over decades by the Reinforcement Engine

## 4 FOUNDATIONAL LAYER: STRUCTURAL DEMAND

Population Growth + Shrinking Household Size

The total structural quantum in shelter volume 'need' terms.

It consists of total population expansion mixed with a multi-decade structural fragmentation of household sizes/formation => fewer people living in each dwelling.

**KEY TAKEAWAY:** As population grows and fewer people live in each dwelling future increased demand for shelter/housing remains strong

**INVESTOR IMPLICATION:** While the Baseline determines the total volume of fuel entering the system, the Core Drivers determine exactly where that fuel ignites to drive location land value outperformance.

## 5 CONCLUSION

When the CORE DRIVERS are strong, the REINFORCEMENT ENGINE dynamically compounds your positional advantage, delivering enduring, generational market outperformance over the decades.

Meanwhile, the CYCLE AMPLIFIERS dictate the short-term velocity, volatility, and timing of the market—governing its temporary tempo, but never its ultimate destination.