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 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.

2 THE CORE DRIVERS
Economic Activity, Human Interest & Behaviour

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

1 RICARDIAN RENT THEORY
Why Land Has Different Value

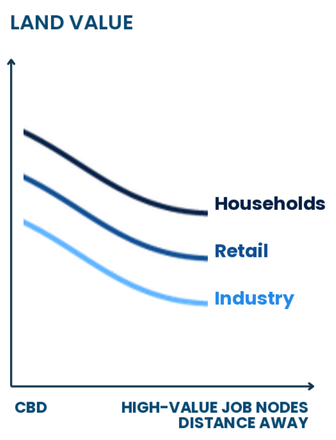
Land differs in productivity & desirability. The best land earns a premium above the marginal (worst land in use).

KEY TAKEAWAY: More value comes from relative advantage, not improvements.

INVESTOR IMPLICATION: Buy land that will always be better than the next best alternative.

2 AMM THEORY (ACCESSIBILITY)
Where Value Sits in the Polycentric City

People and businesses bid more for locations closer to jobs & amenity. Land values peak in these centres/nodes and decline with distance.



KEY TAKEAWAY: Location and accessibility create predictable value gradients.

INVESTOR IMPLICATION: Focus on locations with stronger demand & seamless accessibility to primary employment hubs

3 AGGLOMERATION ECONOMIES
Why Demand Concentrates

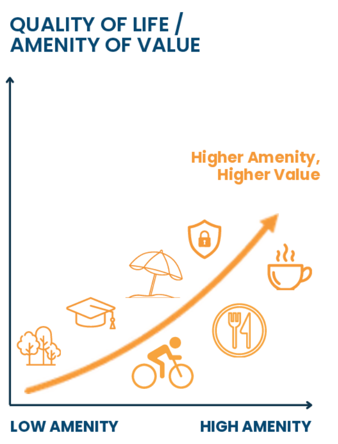
Jobs, people & infrastructure cluster together, creating more opportunity, higher productivity & wages, adding stronger housing demand.

KEY TAKEAWAY: Big, growing cities pull people in & compound demand over time.

INVESTOR IMPLICATION: Back large capital cities & their connected & accessible satellite cities.

4 AMENITY & SPATIAL EQUILIBRIUM
The Power of Lifestyle & Quality of Life

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

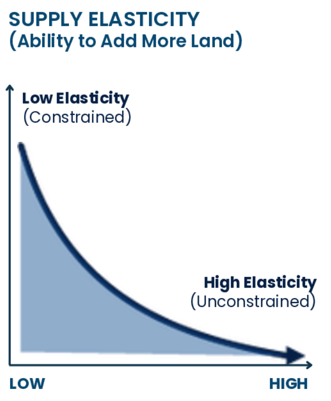


KEY TAKEAWAY: Amenities create durable value & drive buyers to compete for the best locations.

INVESTOR IMPLICATION: Focus on areas with superior amenities & convenience (schools, retail villages, beaches/parks etc.) offering structural lifestyle advantages.

5 SCARCITY PROTECTION
Why Supply Can't Easily Respond

Geography, infrastructure capacity, and strictly limited physical land boundaries restrict new supply. Inelastic supply converts rising demand directly into higher land values.

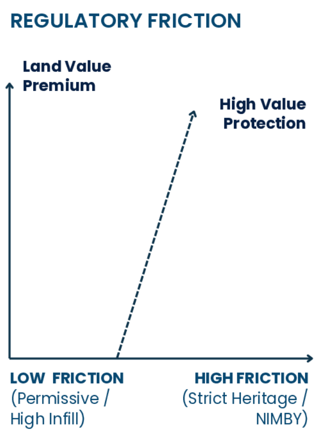


KEY TAKEAWAY: Scarcity protection of land locks in value and prevents substitution.

INVESTOR IMPLICATION: Target established & tightly held areas with rigid geographic or infrastructure constraints that protect physical scarcity.

6 INSTITUTIONAL FRICTION & POLITICAL ECONOMY
Why Legally Manufactured Scarcity Protects Value

Local planning, heritage overlays, council zoning rules, & entrenched political NIMBYism prevent new development. Regulatory friction ensures established rules cannot easily substitute detached land for high-density supply.



KEY TAKEAWAY: Political and legal boundaries create an artificial scarcity overlay that permanently isolates premium land from supply shocks.

INVESTOR IMPLICATION: Target established council pockets with strict heritage protections and vocal, affluent communities that actively resist sweeping higher-density re-zoning.

7 VEBLEN / STATUS EFFECT
Why Humans Overpay for the Best

Higher prices signal status, exclusivity & success. This makes premium locations even more desirable & fuels non-rational, highly emotional bidding.

KEY TAKEAWAY: Status & prestige can accelerate price growth far beyond underlying commodity fundamentals.

INVESTOR IMPLICATION: Target premium suburbs where scarcity, lifestyle, and social status reinforce each other.

3 THE FIVE ENGINES OF MOMENTUM
Why Good Locations Get Better Over Time

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

HUMAN CAPITAL CONCENTRATION

Talented, ambitious people cluster together, driving higher incomes, localised innovation & baseline demand.

EXAMPLE:
Strong universities, tech hubs & high-value professional jobs attract more talent.

DEMOGRAPHIC SORTING

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

EXAMPLE:
Top school zones & premium family suburbs retain & attract high-earning, like-minded households, including fractured families, further increasing demand

AMENITY & SERVICE UPGRADE CYCLE (ENDOGENOUS GENTRIFICATION):

Incoming wealth drives local amenity upgrades, fuelling endogenous gentrification. This demographic sorting continuously creates premium lifestyle infrastructure for which subsequent buyers willingly overpay

EXAMPLE:
Vibrant retail village → increased foot traffic → increased retail spend → premium retail attracted → stronger residential demand

INSTITUTIONAL CAPITAL FLOWS

Long-term institutional & private wealth capital seeks out the safest, highest-quality land locations. Scarcity systematically intensifies as multi-generational investor capital competes for ownership.

EXAMPLE:
High-net-worth investors, private family offices, and large superannuation funds deliberately buy & crucially, hold prime real estate assets.

NARRATIVE & REPUTATION

Strong cultural stories & historical prestige regarding specific suburbs spread across decades & become entirely self-fulfilling market behaviours. Suburb reputation functions as a permanent, powerful demand driver.

EXAMPLE:
A market moniker like "The City's Premier Education Belt" shifts from an opinion into an absolute market belief & pricing reality.

POSITIVE FEEDBACK LOOP >> This is why premium locations stay premium.

KEY TAKEAWAY: 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.

INVESTOR IMPLICATION: 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.

4 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.

INTEREST RATES

Lower rates boost immediate borrowing capacity & fuel demand, while higher interest rates constrict leverage slowing market momentum.

EXAMPLE:
Aggressive rate cuts stimulate transaction volumes; rapid rate hikes moderate immediate price ceilings.

CREDIT AVAILABILITY

Looser serviceability metrics & expanding credit policies increase immediate consumer purchasing power and push up cyclical values and vice versa.

EXAMPLE:
Lax lending environments fuel market booms, while macroprudential tightening cools short-term demand.

TAX & POLICY

Macro shifts in Tax policy E.g. CGT, NG, FBH grants, 5% deposit schemes etc., alter temporary buyer behaviour.

EXAMPLE:
Sudden state or federal policy adjustments can artificially lift or dampen market activity.

INCOME / EMPLOYMENT SHOCKS (ECONOMIC CYCLES)

Broader economic cycles impact overall business investment, wage growth trajectories, and employment security, shifting aggregate short-term housing demand.

EXAMPLE:
A booming broader economy increases active buyer volumes; localised downturns contract near-term market demand.

EXPECTATIONS, SENTIMENT & SPECULATION

Pervasive market optimism - FOMO can push localised cyclical prices well above historical boundaries, while media hype - FONGO can create sharp localised short-term corrections.

EXAMPLE:
Market psychology and collective emotional moods dramatically exaggerate real estate pricing movements in the short term.

SUPPLY CONSTRAINTS

Short-term material shortages, building industry insolvencies & regulations, plus sudden unexpected migration spikes create temporary, acute dwelling deficits.

EXAMPLE:
Rapid spikes in overseas arrivals hit an inflexible short-term construction industry, amplifying cyclical supply squeezes.

EXTERNAL SHOCKS

Black swan global events, macro economic recessions, international conflicts, or unexpected geopolitical corrections alter near-term consumer confidence & market liquidity.

EXAMPLE:
Macro economic uncertainty shifts consumer behaviour toward capital preservation, sparking cyclical volatility.

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

CONCLUSION

Population growth and household size are foundational. When the CORE DRIVERS are strong, the REINFORCEMENT ENGINE dynamically compounds the positional advantage, delivery enduring generational market outperformance over the decades. Meanwhile, the CYCLE AMPLIFIERS dictate the short-term velocity, volatility and timing of the market – governing it's temporary direction, but never its ultimate destination.

Empower Wealth ADVISORY