Abstract

This thesis aims to examine the behaviour of residential real estate prices and identify their determinants across Czech regions. After cointegration of the data was detected, a panel dynamic OLS estimator was employed. Initially, the effect of a wide range of variables on apartment prices is analyzed on quarterly data for all regions of the Czech Republic. Furthermore, an error correction model is employed to verify the existence of long-term equilibrium of apartment prices and the speed of price adjustment in the short run. The regression revealed that apartment prices are driven mainly by building plot prices, wages, unemployment, net migration and REER. Next, several regions with unique characteristics were excluded from the sample and analyzed separately in order to check robustness of the selected model. The results of PDOLS regression imply that apartment prices react very differently to certain determinants in different groups of regions. Lastly, in order to examine these reactions in different time periods, the dataset was divided by the time dimension. The results suggest that the effect of unemployment was the largest during the financial crisis of 2007/2008 and that the effects of wages and building plot prices have been changing dramatically over time.

JEL Classification	C23, O18, R11, R13, R31
Keywords	apartment prices, regional analysis, residential real estate, panel regression

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