

## Abstract

The recent increase in real estate prices in the Czech Republic had a serious impact on the accessibility of housing. This thesis aimed to assess, whether it was justified by changes in economic fundamentals via the approach of inverted demand. Two distinct models were described and each was applied to a separate dataset. The crucial difference is the way these models deal with non-stationary data, i.e. either the variables are differenced or the cointegrating relationship is examined. Estimation itself was done by Fixed-effects or Dynamic OLS, and the latter model additionally allowed to evaluate the speed of adjustment to equilibrium. Various macroeconomic factors were considered out of which wages, unemployment, natural increase in population, net migration, construction prices and real interest rates turned out to be fundamental drivers of flat prices. Real estate price bubbles were then evaluated with Price to income and Price to rent indicators, followed by an analysis of differences between actual and fundamental prices, which utilized models of determinants. The results suggested 2 main periods of overvaluation, namely 2003 and 2008, and a high risk of current overvaluation in Prague and region Jihomoravský.

<b>JEL Classification</b>	C33, C51, R21, R31
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