

# Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

<b>Student:</b>	<b>Ivana Gallova</b>
<b>Advisor:</b>	<b>Petr Pleticha</b>
<b>Title of the thesis:</b>	<b>How much do we pay for a real estate ownership? A simulation approach</b>

## **OVERALL ASSESSMENT** (provided in English, Czech, or Slovak):

### **Contribution**

The author compares renting and buying a property using a loan based on net present value using Czech data from 2004 to 2019. Despite the title of the thesis, we do not actually see any simulation. Instead, the author uses standard time series analysis tools to predict prices of rent and purchase of real estate. Based on the findings she then uses the assumed growth rates and calculates the net present value of real estate ownership for 5 scenarios.

### **Methods**

The author uses standard econometric methods to estimate models with time series data. However, she does not provide much rationale about the choice of the models except that other authors used them too. The description of net present value approach is very difficult to read as the reader is not provided with detailed explanation of the variables in the many presented equation. Similarly, we do not see proper explanation of all the assumptions. For instance, holding period of 10 years sound counterintuitive. Lastly, the most important results, i.e., whether ownership is better than rent, remains, in my opinion, opaque.

The scenarios take the value estimated in the previous section in certain time periods. It thus seems that the author assumes that certain market condition will last for the whole market period (and takes certain growth rates as constant in each scenario). If true, this is very unrealistic as the economic cycle is dynamic. These assumptions should be better explained in the thesis.

### **Literature**

The literature review is very brief but satisfactory. It contains some unexplained terms (what is intent to treat?), often only touches surface of the important papers the thesis builds upon, and sometimes it contains confusing statements such as when it contrasts homeownership with buying a flat in a block of flats. It would be helpful if the review focused more on policy as the body of literature on housing affordability is quite extensive.

### **Manuscript form**

The manuscript lacks couple of rounds of comments. The equations are not explained sufficiently, the source of the graph in introduction is not stated (so we do not know whether it is motivation or the results of the paper) and there are many typos. It would be worthwhile to focus on main concept of the paper instead of explaining textbook concepts which the reader can easily look up. A minor mistake is the missing Eurostat reference in the bibliography. Overall, however, the manuscript form is satisfactory.

### **Summary and suggested questions for the discussion during the defense**

Ivana has shown she is able to write a decent thesis independently and with the required level of academic quality. However, with only a couple of additional feedback rounds, I believe the thesis could be high above average. During the defense, I would like Ivana to elaborate on the methods, especially the issues I have highlighted above. I would also like her to express her opinion on the topic – from societal perspective, is better to own or to rent? Lastly, she could address the topic of policy – how should the government encourage/discourage one or the other kind of housing?

The results of the Urkund analysis do not indicate significant text similarity with other available sources. In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade C.

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**SUMMARY OF POINTS AWARDED** (for details, see below):

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	21
<i>Methods</i> (max. 30 points)	21
<i>Literature</i> (max. 20 points)	17
<i>Manuscript Form</i> (max. 20 points)	14
<b>TOTAL POINTS</b> (max. 100 points)	<b>73</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>C</b>

**NAME OF THE REFEREE: Petr Pleticha**

**DATE OF EVALUATION: 26/8/2020**

**Digitálně podepsané (1.9.2020)**  
**Petr Pleticha**

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**Referee Signature**

