

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Bc. Erik Müller</b>
<b>Advisor:</b>	<b>PhDr. Pavel Streblov MSc.</b>
<b>Title of the thesis:</b>	<b>Traditional Real Estate Portfolio Diversification and Risk Measures: Evidence from the Czech Republic and Slovakia</b>

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

### **Contribution**

The thesis utilizes a unique data set from a relatively large portfolio consisting of Czech and Slovak commercial real estate and investigates the pros and cons of individual real estate diversification strategies. It highlights several limitations of real estate such as high transaction costs and non-divisibility of ownership and analyzes how such specific nature of real estate impacts the available diversification options. In light of the increased attention paid by institutional investors to this sector this is a highly relevant research. Besides the largest institutional investors, the diversification of real estate portfolios has to take place only within a limited non-equally weighted assets with limited immediate tradeability. The right approach to diversification is thus of significant importance. The thesis reviews the key approaches both from theoretical perspective and through a review of existing research. The main contribution is the application of these approaches on the available dataset.

### **Methods**

The thesis uses several relevant methods to estimate the impact of diversification of real estate portfolios. I would like to highlight the use of synthetically constructed indices and the use of the efficient frontier approach.

### **Literature**

The thesis makes relevant references to the existing literature and extensively draws on major papers published in the field. I believe that a more extensive review of the relevant local literature could have been made, even if it means referring to non-peer-reviewed literature.

### **Manuscript form**

The thesis is written in a prescribed form and provides a very clear and straightforward presentation of the topic, methodology and results of the research.

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

I believe that the master thesis is in sufficient depth and quality to recommend the thesis for defense at a grade A. The results of the Urkund analysis do not indicate significant text similarity with other available sources and based on discussion with the student during preparation of the thesis, the presented outcome can be considered as containing significant original contribution of the author.

The questions for the thesis defense:

- a) One of the interesting findings is the difficulty in tracking the capital gain. Do you believe it might be connected to the specific available dataset which is based on real estate that has generally not been traded but held long-term in a specific portfolio?
- b) If you were to weight the costs of diversification against its benefits, where do you believe lies an optimal size of the real estate portfolio?

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

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<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution (max. 30 points)</i>	28
<i>Methods (max. 30 points)</i>	28
<i>Literature (max. 20 points)</i>	17
<i>Manuscript Form (max. 20 points)</i>	18
<b>TOTAL POINTS (max. 100 points)</b>	<b>91</b>
<b>GRADE (A – B – C – D – E – F)</b>	<b>A</b>

**NAME OF THE REFEREE:**

**DATE OF EVALUATION:**                      **2.1.2021**

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**CONTRIBUTION:** *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

**METHODS:** *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

**MANUSCRIPT FORM:** *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

**Overall grading:**

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F