

# **Diplomová práce – Soňa Součková: Simulation of pension reform impact on real estate market**

## **Abstract**

The objective of this thesis is to estimate the impact of pension reform on commercial property market in the Czech Republic during the period of 2013 –2017. Our hypothesis is that a potential pension reform would have a positive significant impact on property investment volumes via institutions constituting the second pillar. In the first step, we provide analysis of pension reforms recently applied in Slovakia, Hungary, Poland, Lithuania, Latvia and Estonia. Given analysis of selected countries and specifics of the proposed Czech pension reform, we estimate that the institutions in the second pillar may face additional yearly cash inflows beginning on EUR 1.23 billion in 2013 and further increasing to EUR 2.59 billion in 2017. Furthermore, we estimate that a likely share allocation by second pillar institutions into real estate would lie in the region of 0 – 14% depending on the discrete decision of the regulators. Using a conservative leverage of 40% for bank financing, we estimate that the expected investment volumes allocated by second pillar institutions into real estate would be EUR 61 – 287 million in year 2013. Given the average investment volumes of EUR 1334 million p.a. allocated into commercial property over the past 5 years, we conclude that there is a potential for significant positive impact of the pension reform on Czech commercial property market. In the last part of thesis, we present the recommendations for further research, in particular with respect to the potential impact on commercial property prices.