

Report on Master Thesis

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

Student:	Nataliia Vorobey
Advisor:	Roman Horváth, PhD.
Title of the thesis:	Do changes in Interest Rate impact the Housing Prices ?

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

The diploma theses of Nataliia Vorobey deals with the effect of interest rate changes to the housing prices. The diploma thesis follows a rather typical pattern of a description of the theoretical background (monetary policy transmission channels), then describes the econometric model, empirical data and market (housing market) and all of this for the empirical analysis that follows. For the analysis the VAR model is used (vector autoregression, shall not be confused with Value at Risk for the ones who do not specialize in econometrics and macroeconomics). The most important part, resp. the part that shall prove the contribution of the diploma thesis is the last chapter and the conclusion.

In the thesis there is nothing that can be the autor blamed for, on the other hand the thesis does not surprise with any interesting or challenging conclusions. Also the description of he market in respective countries is rather short, as the author gallops for the quantification analysis per se. I miss a more detailed analysis, description of the unique characteristics of the respective markets (tradition of renting/owning departments, size of the households, m2-requirements of the respective cultures, density of population, scarcity of land, preference for houses/appartments, behavioral patterns, affordability of mortgages, regulation etc.), all these factors shall be taken into account when an intimate analysis is done. When only pure numbers are taken and a simple regression is done, the results are unconvincing and rather uninteresting. Further, I would recommend to devote more time to the interpretation of results, to look for reasons why the results of analysis are like they are, again in the context of the unique characteristics of the respective markets.

There is plenty of room for an additional analysis, the text of the thesis starts on page 12 and ends on page 63, within the text also a lot of big pictures (often also over the whole page) are present. So effectively the thesis is rather short.

During the defense the autor shall interpret the results received (calculated), when the unique characteristics (if any identified) of the market are taken into account. Also, as the autor wants to study the post-Soviet market, does the author see any crucial differences between the European the post-Soviet housing market ? I would doubt that analysing the impact of interest rate on post-Soviet housing market would give any convincing result. What is author's opinion, please explain.

The thesis is written in English and I very much appreciate the level of the language. The quotations and references correspond to the standard, only some small remarks/technical mistakes shall be mentioned (e.g. the author uses „90th“ for whole decade of the nineties or 80th for the eighties, also p. 5).

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Taking all this into account, I recommend the thesis to defend. As it is now, I would recommend grade 2, in case of an excellent and convincing defense I would not argue with grade 1.

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

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	30
Contribution (max. 30 points)	15
Manuscript Form (max. 20 points)	15
TOTAL POINTS (max. 100 points)	80
GRADE (1 - 2 - 3 - 4)	1 - 2

NAME OF THE REFEREE: Mgr. Magda Pečená, PhD.

DATE OF EVALUATION: 5.9.2012

Referee Signature