

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Petr Cempírek</b>
<b>Advisor:</b>	<b>PhDr. Michal Hlaváček, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Housing Prices in the Czech Republic and Slovakia: Regional Comparison</b>

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

The thesis compares the development of housing prices between the Czech Republic and Slovakia on a regional level. For this purpose, the author applies dynamic panel OLS model and by incorporating an error correction term the author checks for any potential housing price misalignments, i.e. a disparity between actual market housing price and the price determined by economic fundamentals. The choice of variables used as fundamentals in the analysis stems from the macroeconomic theory (real GDP p.c., nominal and real i.r., real average wage and unemployment).

The thesis opens with a historical narrative on housing market developments first in the Czechoslovakia and then in each country separately. This section introduces the topic of the thesis well, while providing the reader with interesting housing market characteristics on a country level. The next chapter presents and justifies the data choice properly. Both, theoretical and empirical frameworks for the analysis are comprehensively and concisely presented to the reader as well as supported by references to the relevant literature. The chosen econometric technique is well defended, again by referring to the literature, models are formally presented and well applied. The author, for instance, checks thoroughly, by applying several different tests, for unit root processes as well as for cointegration, a precondition for the method used. The results are clearly interpreted and comparisons with other works are made. The author also checks for robustness of results by excluding the high income regions, Prague and Bratislavský, from the sample. The empirical analysis is rendered especially interesting by comparing the results for the Czech and Slovak regions on the opposing ends of the spectrum with respect to their economic performance, i.e. Praha and Bratislavský vs. Ústecký, Moravskoslezský and Košický. In the last section, the author plots average residuals from the regression for regions in both countries in the pre-crisis and post-crisis periods, which is quite reader attractive. The last section provides a very effective conclusion, highlighting all the main findings of the work and giving suggestions for possible improvements.

The work brings a unique contribution as the author claims that to his best knowledge no other such analysis, using an econometric approach, for the Czech Republic and Slovakia on the regional level had been conducted. Furthermore, the author is aware of potential setbacks to this work, i.e. including only very basic economic fundamentals to explain housing prices, that are, however, due to data limitations on the level of regions. Therefore, one way to broaden the scope of included fundamentals could be to conduct this analysis also on country level for both states, that should allow for e.g. mortgage stock or number of dwellings to be incorporated as well. A Subsequent comparison with the basic fundamentals model could be interesting.

Overall, the analysis is well conducted and the thesis is very well structured, written clearly and in an engaging way with only a few minor typing errors ("diveded" p.1, "situaton" in heading on p.7, incorrect designation of equation on p.12, and "real capita GDP" on p. 17, 27), which do not detract from the overall flow of the text. For these and above stated reasons I recommend this thesis for defense with the suggested grade "excellent".

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	30
<i>Contribution</i> (max. 30 points)	30
<i>Manuscript Form</i> (max. 20 points)	19
<b>TOTAL POINTS</b> (max. 100 points)	<b>99</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** *Mgr. Diana Žigraiová*

**DATE OF EVALUATION:** 9.6.2014



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**Referee Signature**