Abstract

This thesis develops a cost-benefit analysis of ownership versus renting and investigates the net present values of these alternatives within three different investment and consumption strategies. In order to investigate interactions among the variables and to perform a more detailed analysis, microdata on real estate purchase offers and real estate rental offers are used. Due to the size of the real estate market and the diversity of property types, we focus our analysis on the real estates located in Prague. The thesis’ results indicate that ownership is more profitable than renting under the conditions of only one group out of twelve. However, the thesis presents values of three key parameters of home ownership costs for which ownership would be equally profitable as renting. Finally, we attempt to explain the price-to-rent ratio using various apartment characteristics. The OLS regression method uncovers negative impact of the ground floor variable and the panel building variable on the ratio, resulting in higher relative affordability of buying when compared to renting. Number of rooms variable, on the contrary, shows positive impact on the ratio and an additional room in an apartment results in lower relative affordability of buying when compared to renting.