

Report on Bachelor / Master Thesis

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

Student:	Bc. Jakub Mrhal
Advisor:	PhDr. Pavel Streblov MSc
Title of the thesis:	Asset Price Bubbles: Housing Markets Data

OVERALL ASSESSMENT

The master thesis of Jakub Mrhal seeks to identify the key drivers and determinants of property and rental prices in Prague and tries to identify which segments of the Prague residential market are currently overpriced or underpriced.

The thesis provides in its first part an introduction into the theory of asset price bubbles. The second part introduces the user cost theory. The core of the thesis is the third part that provides an empirical analysis and estimates key determinants of rents, property prices and user costs and based on these findings identifies potential mispricings in the market.

I highly appreciate the fairly detailed analysis, collection of primary data and their use in the econometric analysis. The author delivers several outcomes of his models that are worth mentioning. When assessing the factors affecting price levels of apartments, his findings are fairly in line with what can be observed in the market – e.g. discounts for non-refurbished apartments, cost of garages etc. Interestingly, the author finds that whereas in properties in panel structures carry a significant discount as to their sale price, it is not the case in the rental market. I find the analysis of the price and rent determinants as a highly valuable contribution of this thesis.

On the other hand, I find the conclusions regarding the application of user cost theory as less conclusive, in particular given the somewhat arbitrary attributes of some of the adjustments made for individual segments of the market – e.g. 1% of expected additional appreciation for the luxury segment compared to an average flat. I don't find these inputs as sufficiently argued, e.g. on the basis of historical data. All these adjustments, as minor as they might seem, have a great impact on the user costs and thus on the price that the model predicts.

The structure of the thesis is relatively straightforward and the empirical analysis well presented. Some historical examples of asset bubbles go into a greater detail than I would find necessary or relevant for the topic of the thesis. More importantly, the wording of the thesis is in some parts somewhat cumbersome (starting already with the abstract). It is a pity the author did not provide it to a native English speaker for proofreading; it could have improved the readability of an otherwise very good and concise paper.

I believe the thesis delivers a very interesting analysis of primary data and presents some fairly interesting outcomes. However, given several objections mentioned above, I recommend to grade the thesis B.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	16
<i>Methods</i> (max. 30 points)	25
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	8
TOTAL POINTS (max. 100 points)	74
GRADE (1 – 2 – 3 – 4)	A

NAME OF THE REFEREE: *Pavel Streblov*

DATE OF EVALUATION: 16/6/2013

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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

Strong Average Weak
20 10 0

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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě