

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Bc. Adam Béréš</b>
<b>Advisor:</b>	<b>PhDr. Pavel Vacek, PhD.</b>
<b>Title of the thesis:</b>	<b>Family House Market in Europe during the Recent Crisis</b>

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

Author studies in his thesis family house market in European countries. The goal is to identify the price determinants and relate them to the house market as a trigger of financial crises. Author relies on panel data and time series methods, specifically on fixed effects and VAR model. Adam argues that the house prices are determined by household income, unemployment rate, bank credit and share price index, concluding that family house market in Europe is predominantly demand driven.

In the first part of the thesis Adam shows that he got familiar with the empirical literature on the house market price determinants. Further, Adam demonstrates that he has mastered time series and panel data econometric techniques. Consequently he applies them to find answers to the stated questions.

For the further improvements of the thesis I have following suggestions:

- 1) The thesis (empirical part) fails on the ambition to link financial crises to house price determinants. It would help to be more explicit in interpreting the data in relation to connection of bubbles and financial crises in general.
- 2) The model is by its character backward looking. The demand for family houses is however likely to be forward looking. Families when deciding about house purchase consider their endowment and risk adjusted present value of future income. In the optimistic times families increase their expectations about future income and the demand for houses goes up. Higher demand drives the price up. Asset prices are driven by analogical transmission mechanism. Thus, it may be that the significance of asset prices in determining the house prices in Prague and Bratislava might be given by the backward looking character. If Adam controls for the expectations (optimism about future), it may happen that asset prices won't be significant any more.
- 3) Previous argument applies also for the unemployment. It is not very intuitive that 2 quarters delay in unemployment explains house prices. It is rather the transition probability from being employed to unemployed.
- 4) You should be more convincing on explaining why you can say that the residual of your regression represents the bubble?
- 5) Why do you think FE is better estimator than POLS when the coefficients of the regression are very similar? Why do you get absolutely different  $R^2$  when you use FE and when POLS if the results are otherwise analogical?

To wrap it up, I consider this thesis well written and fully satisfying the standards of master thesis at Charles University.

Question: Comment on point 2.

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Bc. Adam Béréš</b>
<b>Advisor:</b>	<b>PhDr. Pavel Vacek, PhD.</b>
<b>Title of the thesis:</b>	<b>Family House Market in Europe during the Recent Crisis</b>

## **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)	20
<i>Contribution</i> (max. 30 points)	30
<i>Manuscript Form</i> (max. 20 points)	20
<b>TOTAL POINTS</b> (max. 100 points)	<b>90</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** *Aleš Maršál*

**DATE OF EVALUATION:**

---

**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	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě