

Abstract:

The process of deregulation of rents in the Czech Republic was unusual because of its scope caused by huge market deformation, where prices in the regulated market were even four times lower than those in the free one. Nevertheless, we focused our research just on Prague's market, because the distortion there was the most significant and the market of flats with regulated rents was the biggest there. We aimed to analyse the impact of rent deregulation on prices of flats and to test the hypothesis that deregulation should cause an increase in their prices. For these reasons we conducted an econometric analysis of time series using FDL model, which showed us lagged effect of deregulation on flats' prices. Contrary to our expectations, we found out that in our case deregulation decreases general level of flats' prices. Thus we discussed variety of reasons, why it could be the case. Moreover we estimated the value of being a tenant in a regulated flat, as it had its market price due to differences between market and regulated rents. The findings of our study thus provide us with better understanding of impacts of liberalisation on regulated markets and could be helpful for improvements of deregulatory strategies for governments.