Report on Bachelor / Master Thesis

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

Student:	**Bc. Jiří Kos**
Advisor:	**Prof. Roman Horváth, Ph.D.**
Title of the thesis:	**Uncertainty and House Prices: Empirical Evidence**

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

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

The thesis examines the effect of uncertainty on real estate prices in selected developed countries. It uses various panel data and vector error correction techniques. It addresses an important but in my view overlooked phenomenon, i.e., the role of uncertainty for real estate prices. The results suggest that uncertainty has an effect on real estate prices.

Contribution

The thesis addresses an important policy issue – the role of uncertainty for real estate prices. Real estate represents an important part of citizen's wealth especially in Europe and from the investment perspective provides a relatively high return and relatively low risk (over the long term), as Jorda et al. document in their 2019 Quarterly Journal of Economics article. Using a large dataset covering more than a century of the data, they show that housing provides a return comparable to the stock market but with lower risk with the exemption of world wars, i.e. the periods of extremely high uncertainty. Another anecdotal evidence for the role of uncertainty in shaping real estate price has been the extreme rise of real estate rate prices during the covid period, i.e. a period of high uncertainty.

The thesis employs not only widely-used economic policy uncertainty but also less commonly used financial market uncertainty. These two types of uncertainty typically exhibit a sizeable correlation but still not unitary.

Methods

The thesis employs panel data techniques as well as time series techniques, especially those dealing with long-term trends (cointegration). Typically, theses choose only one approach so conducting an extra robustness check using time series techniques is welcomed. The regression specifications follow previous literature but it could have been stated more explicitly which previous studies are most closely related to the thesis. The panel data estimation techniques are accompanied with various recently-developed panel cointegration tests.

Literature

The coverage of literature is extensive and all major empirical studies, which focus on developed countries, seem to be covered. The literature survey focuses both on real estate prices as well as uncertainty papers.

Manuscript form

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The thesis is well-organized and easy to follow. The data description is comprehensive and well-documented. I would welcome an explicit statement on how the thesis differs from previous literature as well as the maybe a bit more thoughuful comparison of the result to the previous literature. I consider the number of typos small.

Overall evaluation and suggested questions for the discussion during the defense

This is a very solid empirical work, which quantifies the effect of (various types of) uncertainty on real estate prices. The author has shown the ability to work independently and conduct a large empirical exercise.

In my view, the thesis fulfills the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University. I recommend it for the defense and suggest a grade B. The results of the Urkund/Turnitin analysis do not indicate significant text similarity with other available sources.

Possible questions for defence: What is your prediction regarding the future development of the real estate prices in your country and abroad? What type of uncertainty (economic policy vs. financial market vs. geopolitical vs. monetary policy) is more likely to shape real estate prices in the near future?

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

CATEGORY	POINTS
Contribution *(max. 30 points)*	25
Methods *(max. 30 points)*	25
Literature *(max. 20 points)*	19
Manuscript Form *(max. 20 points)*	19
TOTAL POINTS *(max. 100 points)*	**88**
GRADE **(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: Prof. Roman Horváth, Ph.D.

DATE OF EVALUATION: ***18th January 2023***

Digitally signed
Roman Horváth

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Referee Signature

Please sign the report electronically using one of the following options:

EXPLANATION OF CATEGORIES AND SCALE:

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.*

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.*

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

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.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F