Report on **Bachelor Thesis**

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

Student:	**Alexandra Pivoňková**
Advisor:	**PhDr. Pavel Streblov MSc**
Title of the thesis:	**Real Estate as a Hedge against Inflation**

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

Short summary

The thesis focuses on a highly topical relationship between real estate prices and inflation. The author uses a relatively long data set of 2009 – 2022 to analyze the interrelation across selected set of countries. Real estate is generally considered as a good hedge against inflation, however as the author points out, several research studies (e.g. cited Liu et al., 1997) show that this might not be always the case. The thesis argues that there are significant differences across individual countries and whilst real estate is generally performing better than other assets, this might not be the case across all time lines and geographies.

Contribution

The thesis provides a valuable insight into the interrelation of real estate prices and inflation. It highlights the fact that even though some investors might invest into REITs with the ambition to hedge against inflation, REITs might actually behave more like stocks. This is a very interesting finding in light of many investors' ambitions to achieve the "real estate inflation hedge" through indirect real estate investments. The thesis show that such goal might not necessary be achieved.

Methods

The author builds upon the Fama and Schwert (1977) model to assess the hedging ability of real estate on expected and unexpected inflation. I believe the employed methods are well applied and I highly appreciate the difficulty in collecting the relevant data, especially for the real estate price development. On the other hand, I believe that there is an insufficient explanation provided with respect to the selection of the data set. Whilst it is clear that the author was limited by availability of data and wanted to select diverse countries, the selection itself would deserve a more detailed explanation.

Literature

The author works with a sufficient amount of literature and provides qualified references to past research and compares her findings to other research outcomes.

Manuscript form

The whole thesis is written in a very clear and well structured way. I believe that some parts of Chapter 3 and 5 could have been shorter as some commonly known economic variables do not require extensive definitions. On the othe hand, more attention could have been given to the specifics of individual data sets, the limitations in using estimated predictions of expected inflation etc.

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Overall evaluation and suggested questions for the discussion during the defense

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

As for the defense, I believe that author should focus on the following issues/comments:
   a) Would the author expect significantly different results if commerical properties with their inflation-linked rental contracts were included?
   b) Do you believe that the different mechanics of price development between real estate and REITs is an evidence of market inefficiencies or some other drivers such as lack of relevant up-to-date data, bulky nature of real estate, transaction costs etc.?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	25
Methods	*(max. 30 points)*	23
Literature	*(max. 20 points)*	17
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**83**
GRADE	**(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: **PhDr. Pavel Streblov MSc**

DATE OF EVALUATION: 5.6.2023

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Referee Signature

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