

Housing Markets in Central and Eastern Europe: Is There a Bubble in the Czech Republic?

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Abstract

Real estate prices more than doubled in many countries of Central and Eastern Europe from 2003 to 2008. In this paper, I provide the first assessment of whether housing prices in this region correspond to rents, i.e. to cash-flows related to an apartment purchase. State-of-the-art panel data stationarity and Granger causality techniques are employed to test the implications of the standard present-value model using regional data from the Czech Republic. Apartment prices both in this country overall and in its capital are only slightly overvalued. In addition, changes in prices are helpful in predicting changes in rents and vice versa.

Abstrakt

Ceny nemovitostí se v letech 2003-2008 více než zdvojnásobily v mnoha zemích střední a východní Evropy. V tomto článku nabízím první analýzu, zda v daném regionu odpovídají ceny realit výši nájmu, což je finanční tok spojený s koupí nemovitosti. Za účelem testování implikací standardního modelu současné hodnoty pro ČR jsou využity moderní testy stacionarity v panelových datech spolu s testy Grangerovy kauzality. Ukazuje se, že ceny bytů jsou jak v celé ČR, tak v Praze pouze mírně nadhodnoceny. Změn ceny bytů je možno využít k predikci změn nájmu a naopak.

KEY WORDS: Central and Eastern Europe, Czech Republic, panel data, unit root, bubble, house prices, rents.

JEL CLASSIFICATION: G12, R21, R31, C33.

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