

Title: Forecasting Housing Prices with Google Econometrics: A Demand Oriented Approach

**Abstract**

In this updated research note we report on our current efforts in developing a leading indicator of housing prices that could be used to forecast housing price. Specifically we use Google search index at the city level to predict change in the seasonally adjusted Case-Shiller index for the 20 cities. The methodology is based on causality assumptions about information assessment (search processes) leading changes in consumer behavior (i.e., housing purchase) that drives prices. Specifically we use Granger causality to carry out two way regressions with lagged variables and joint F-tests to determine the directional validity of this causal assumptions in this demand oriented model.

Key Words: Case-Shiller Index, Granger Causality, Google econometrics, Search engine