# Course Project: Supervised Machine Learning Regression

## **Objective:**

The objective of this report is to deepen in the interpretation of the data collected corresponding to housing sales in Ames Iowa USA. From the results obtained, we will be able to analyze the influence of the different features to determine the sailing price. It is relevant to determine the influences of the study variables. With this information, we will be able to maximize the benefit of future investments in real estate projects in the area.

## Description of the Data Set and its attributes

The study data set is the one provided in the course. Among the main attributes of the data can be found those described below.

#### **Predictor**

• SalePrice: The property's sale price in dollars.

#### **Features**

MoSold: Month Sold

YrSold: Year Sold

• SaleType: Type of sale

SaleCondition: Condition of sale

MSSubClass: The building class

• MSZoning: The general zoning classification

## **Exploratory Data Analisis**

## Initial plan for data exploration and actions for data cleaning and feature engineering.

Since we start from the base of the EDA Project data set, it is already correct concerning Data Cleaning, the data set does not have null values. However, we will do the corresponding variables transformations to carry out the different linear regressions of the adequate tide. Then we will preliminarily analyze the existing correlations between the features, to generate a better understanding of linear regression.

### **Data Cleaning and Feature Engineering**

In [171...

import numpy as np
import pandas as pd
import matplotlib.pyplot as plt

```
import seaborn as sns

from sklearn.preprocessing import StandardScaler
from scipy import stats
from IPython.display import display
```

Analyzing the data set

```
filepath = 'Ames_Housing_Sales.csv'
data = pd.read_csv(filepath)
display(data.head())
print(data.info())
```

	1stFlrSF	2ndFlrSF	3SsnPorch	Alley	BedroomAbvGr	BldgType	BsmtCond	BsmtExposure	BsmtFin5
0	856.0	854.0	0.0	None	3	1Fam	TA	No	70
1	1262.0	0.0	0.0	None	3	1Fam	TA	Gd	97
2	920.0	866.0	0.0	None	3	1Fam	TA	Mn	48
3	961.0	756.0	0.0	None	3	1Fam	Gd	No	21
4	1145.0	1053.0	0.0	None	4	1Fam	TA	Av	65

5 rows × 80 columns

```
<class 'pandas.core.frame.DataFrame'>
RangeIndex: 1379 entries, 0 to 1378
Data columns (total 80 columns):
```

Jata	columns (total	go cornilliz):					
#	Column	Non-Null Count	Dtype				
0	1stFlrSF	1379 non-null	float64				
1	2ndFlrSF	1379 non-null	float64				
2	3SsnPorch	1379 non-null	float64				
3	Alley	1379 non-null	object				
4	BedroomAbvGr	1379 non-null	int64				
5	BldgType	1379 non-null	object				
6	BsmtCond	1379 non-null	object				
7	BsmtExposure	1379 non-null	object				
8	BsmtFinSF1	1379 non-null	float64				
9	BsmtFinSF2	1379 non-null	float64				
10	BsmtFinType1	1379 non-null	object				
11	BsmtFinType2	1379 non-null	object				
12	BsmtFullBath	1379 non-null	int64				
13	BsmtHalfBath	1379 non-null	int64				
14	BsmtQual	1379 non-null	object				
15	BsmtUnfSF	1379 non-null	float64				
16	CentralAir	1379 non-null	object				
17	Condition1	1379 non-null	object				
18	Condition2	1379 non-null	object				
19	Electrical	1379 non-null	object				
20	EnclosedPorch	1379 non-null	float64				
21	ExterCond	1379 non-null	object				
22	ExterQual	1379 non-null	object				
23	Exterior1st	1379 non-null	object				
24	Exterior2nd	1379 non-null	object				
25	Fence	1379 non-null	object				

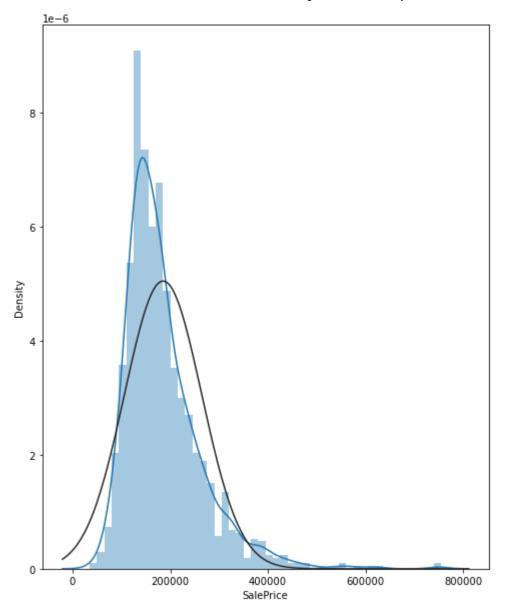
```
FireplaceOu
                    1379 non-null
                                     object
 27
    Fireplaces
                     1379 non-null
                                     int64
 28
    Foundation
                    1379 non-null
                                     object
 29
    FullBath
                    1379 non-null
                                     int64
 30
    Functional
                    1379 non-null
                                     object
                                     float64
 31
    GarageArea
                    1379 non-null
 32
    GarageCars
                    1379 non-null
                                     int64
    GarageCond
                     1379 non-null
                                     object
 33
 34
                     1379 non-null
                                     object
    GarageFinish
 35
    GarageQual
                    1379 non-null
                                     object
 36
    GarageType
                     1379 non-null
                                     object
 37
    GarageYrBlt
                     1379 non-null
                                     float64
    GrLivArea
                    1379 non-null
                                     float64
 38
 39
    HalfBath
                    1379 non-null
                                     int64
 40
    Heating
                     1379 non-null
                                     object
 41
    HeatingQC
                    1379 non-null
                                     object
 42
    HouseStyle
                    1379 non-null
                                     object
                                     int64
 43
    KitchenAbvGr
                    1379 non-null
 44
    KitchenOual
                    1379 non-null
                                     object
 45
    LandContour
                    1379 non-null
                                     object
                                     object
 46
    LandSlope
                    1379 non-null
 47
    LotArea
                     1379 non-null
                                     float64
 48
    LotConfig
                    1379 non-null
                                     object
 49
    LotFrontage
                                     float64
                    1379 non-null
 50
    LotShape
                     1379 non-null
                                     object
                                     float64
 51
    LowQualFinSF
                    1379 non-null
 52
    MSSubClass
                    1379 non-null
                                     int64
                     1379 non-null
 53
    MSZoning
                                     object
 54
                    1379 non-null
                                     float64
    MasVnrArea
 55
    MasVnrType
                    1379 non-null
                                     object
 56
    MiscFeature
                     1379 non-null
                                     object
 57
    MiscVal
                    1379 non-null
                                     float64
 58
    MoSold
                    1379 non-null
                                     int64
                    1379 non-null
                                     object
 59
    Neighborhood
 60
    OpenPorchSF
                    1379 non-null
                                     float64
    OverallCond
                                     int64
 61
                    1379 non-null
 62
    OverallQual
                    1379 non-null
                                     int64
 63
    PavedDrive
                    1379 non-null
                                     object
 64
    PoolArea
                    1379 non-null
                                     float64
 65
    PoolQC
                    1379 non-null
                                     object
    RoofMatl
                     1379 non-null
                                     object
 66
                    1379 non-null
                                     object
 67
    RoofStyle
 68
    SaleCondition 1379 non-null
                                     object
 69
    SaleType
                     1379 non-null
                                     object
 70
    ScreenPorch
                    1379 non-null
                                     float64
 71
    Street
                    1379 non-null
                                     object
 72
    TotRmsAbvGrd
                    1379 non-null
                                     int64
 73
    TotalBsmtSF
                    1379 non-null
                                     float64
 74
    Utilities
                    1379 non-null
                                     object
 75
    WoodDeckSF
                    1379 non-null
                                     float64
 76
    YearBuilt
                    1379 non-null
                                     int64
                                     int64
 77
    YearRemodAdd
                    1379 non-null
 78
    YrSold
                    1379 non-null
                                     int64
                                     float64
 79
    SalePrice
                     1379 non-null
dtypes: float64(21), int64(16), object(43)
```

memory usage: 862.0+ KB

None

There is no missing data, since this data set have been previously modified

```
data.dtypes.value counts()
In [173...
          object
                      43
Out[173...
          float64
                      21
          int64
                      16
          dtype: int64
         We get the columns with the data type corresponding to objects, useful later for One-Hot Encoding.
In [174...
           object columns = data.columns[data.dtypes == object]
           object columns.values
          array(['Alley', 'BldgType', 'BsmtCond', 'BsmtExposure', 'BsmtFinType1',
Out[174...
                  'BsmtFinType2', 'BsmtQual', 'CentralAir', 'Condition1',
                 'Condition2', 'Electrical', 'ExterCond', 'ExterQual',
                  'Exterior1st', 'Exterior2nd', 'Fence', 'FireplaceQu', 'Foundation',
                  'Functional', 'GarageCond', 'GarageFinish', 'GarageQual',
                  'GarageType', 'Heating', 'HeatingQC', 'HouseStyle', 'KitchenQual',
                  'LandContour', 'LandSlope', 'LotConfig', 'LotShape', 'MSZoning', 'MasVnrType', 'MiscFeature', 'Neighborhood', 'PavedDrive',
                  'PoolQC', 'RoofMatl', 'RoofStyle', 'SaleCondition', 'SaleType',
                  'Street', 'Utilities'], dtype=object)
         Analyzing the target value: Sale Price
In [175...
           sns.distplot(data['SalePrice'], fit=stats.norm);
           print(stats.normaltest(data.SalePrice),'\n', 'Skew: ', data.SalePrice.skew(), '\n', 'Ku
          C:\Users\enzof\anaconda3\lib\site-packages\seaborn\distributions.py:2619: FutureWarning:
          `distplot` is a deprecated function and will be removed in a future version. Please adap
          t your code to use either `displot` (a figure-level function with similar flexibility) o
          r `histplot` (an axes-level function for histograms).
            warnings.warn(msg, FutureWarning)
          NormaltestResult(statistic=594.3267259061613, pvalue=8.781955774010152e-130)
           Skew: 1.935362098363132
           Kurt: 6.735649337267559
```



Normalizing the Sale Price.

```
In [176...
#Box-Cox
bc_SalePrice = stats.boxcox(data.SalePrice)
boxcox_SalePrice = bc_SalePrice[0]
lam = bc_SalePrice[1]
print('Lambda: ', lam)

sns.distplot(boxcox_SalePrice, fit=stats.norm);

df_bc_SalePrice = pd.DataFrame(bc_SalePrice[0])[0]
print(stats.normaltest(bc_SalePrice[0]), '\n', 'Skew: ', df_bc_SalePrice.skew(), '\n', # skew_Limit = 0.75
```

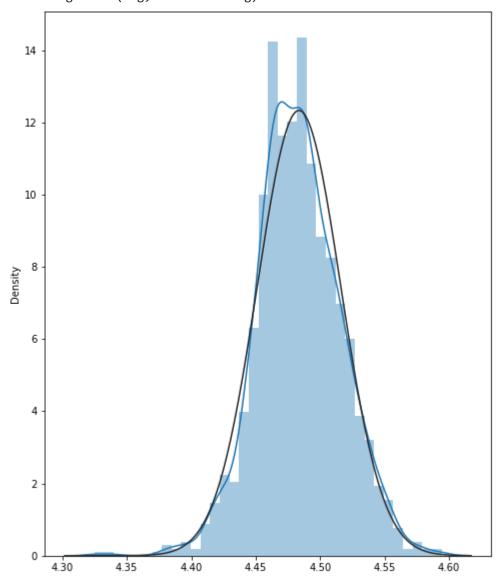
Lambda: -0.2038831773965207

NormaltestResult(statistic=20.60421626101897, pvalue=3.356226691547964e-05)

Skew: -0.018305129116178546 Kurt: 0.8031335636865577

C:\Users\enzof\anaconda3\lib\site-packages\seaborn\distributions.py:2619: FutureWarning:
`distplot` is a deprecated function and will be removed in a future version. Please adap
t your code to use either `displot` (a figure-level function with similar flexibility) o

r `histplot` (an axes-level function for histograms).
warnings.warn(msg, FutureWarning)



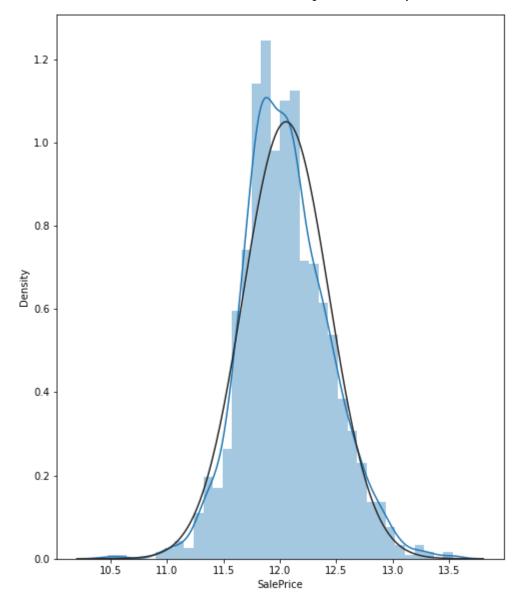
```
In [177...
#log1p
log_SalePrice = data.SalePrice.apply(np.log1p)
sns.distplot(log_SalePrice, fit=stats.norm);
print(stats.normaltest(log_SalePrice), '\n', 'Skew: ', log_SalePrice.skew(), '\n', 'Kur
# skew_Limit = 0.75
```

C:\Users\enzof\anaconda3\lib\site-packages\seaborn\distributions.py:2619: FutureWarning: `distplot` is a deprecated function and will be removed in a future version. Please adapt your code to use either `displot` (a figure-level function with similar flexibility) or `histplot` (an axes-level function for histograms).

warnings.warn(msg, FutureWarning)

NormaltestResult(statistic=34.99556530598817, pvalue=2.5165730895928392e-08)

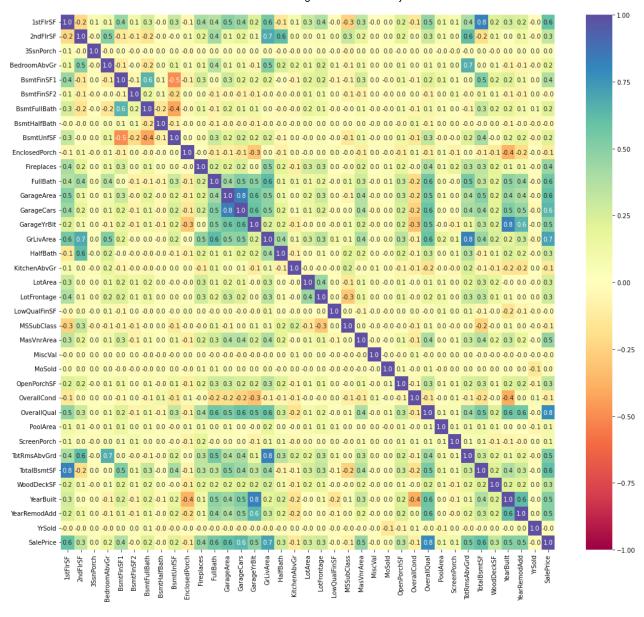
Skew: 0.2901665026629582 Kurt: 0.6856843282078717



We are going to analyze the correlations between variables in order to determine multicollinearity.

```
correlation = data.corr()
    f, ax = plt.subplots(figsize=(18, 16))
    sns.heatmap(correlation, annot=True, vmin=-1, vmax=1, fmt=".1f", cmap="Spectral")

Out[178...
cAxesSubplot:>
```



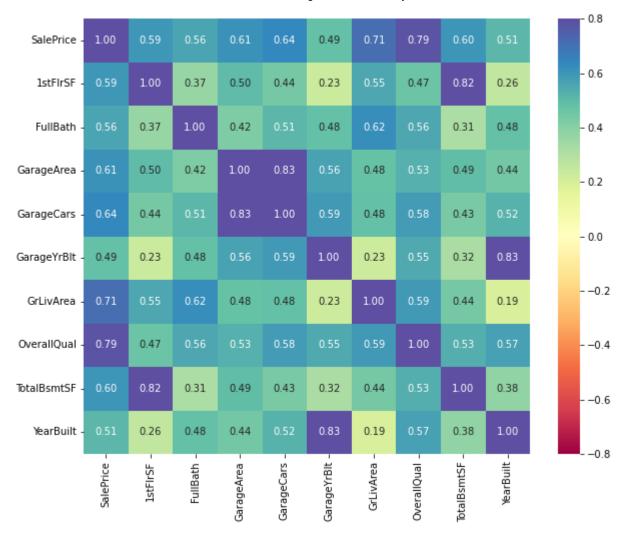
In [179...

correlation.sort\_values(["SalePrice"], ascending = False, inplace = True)
print(correlation.SalePrice.apply(abs))

SalePrice 1.000000 OverallQual 0.787228 GrLivArea 0.708172 GarageCars 0.637095 0.608405 GarageArea TotalBsmtSF 0.603583 1stFlrSF 0.594935 **FullBath** 0.556550 TotRmsAbvGrd 0.538309 YearBuilt 0.507584 YearRemodAdd 0.505434 GarageYrBlt 0.486362 MasVnrArea 0.463139 Fireplaces 0.448877 BsmtFinSF1 0.375563 **OpenPorchSF** 0.333036 2ndFlrSF 0.313336 WoodDeckSF 0.312631

```
LotFrontage
                 0.281976
HalfBath
                 0.270721
LotArea
                 0.252921
BsmtFullBath
                 0.225988
BsmtUnfSF
                 0.213135
BedroomAbvGr
                 0.164655
ScreenPorch
                 0.099453
PoolArea
                 0.091518
MoSold
                 0.043749
3SsnPorch
                 0.039226
LowQualFinSF
                 0.008364
MiscVal
                 0.017933
BsmtFinSF2
                 0.023243
BsmtHalfBath
                 0.025651
YrSold
                 0.026726
MSSubClass
                 0.077707
OverallCond
                 0.095278
EnclosedPorch
                 0.120164
KitchenAbvGr
                 0.135574
Name: SalePrice, dtype: float64
```

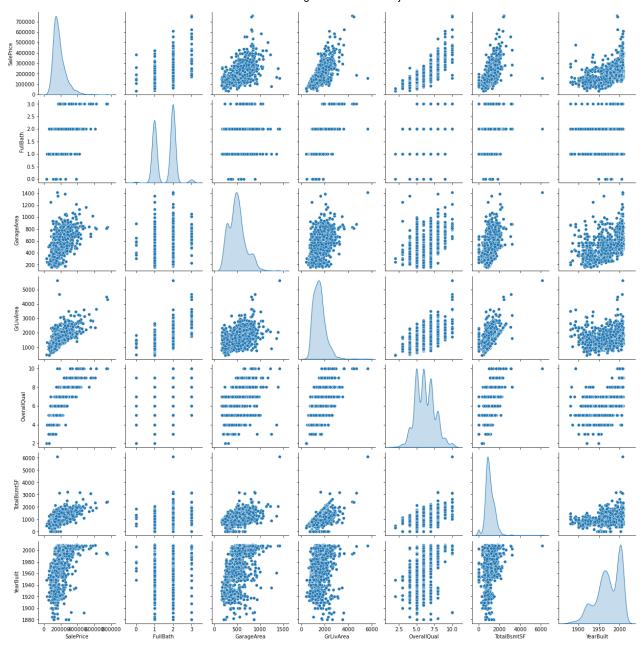
We are going to analyze in more depth the features with high correlation with the terget value.



As we can see the variables '1stFlrSF'/'TotalBsmtSF' and 'GarageArea'/'GarageCars'/'GarageYrBlt' are highly correlated. Since the correlation is so strong this can be an indication of multicollinearity. We are then going to eliminate the variables from the data set and study the rest of the variables with high correlation with the target value.

```
In [181...
          original data= data.copy()
           data = data.drop(['1stFlrSF','GarageCars','GarageYrBlt'], axis=1)
           columns = ['SalePrice', 'FullBath', 'GarageArea', 'GrLivArea', 'OverallQual', 'TotalBsmtSF',
           sns.pairplot(data[columns], diag_kind="kde")
```

<seaborn.axisgrid.PairGrid at 0x1a515e60d00> Out[181...



## **Encoding features**

```
from sklearn.preprocessing import OneHotEncoder

data_ohc = data.copy()
ohc = OneHotEncoder()

for column in object_columns:
    Sparse_Matrix = ohc.fit_transform(data_ohc[[column]]) # When working with sklearn t
    data_ohc = data_ohc.drop(column, axis=1) # Drop original column from the dataframe
    unique_values = ohc.categories_ # Get names of all unique values in columns
    new_columns = ['_'.join([column, categorie]) for categorie in unique_values[0]] # C
    new_df = pd.DataFrame(Sparse_Matrix.toarray(), columns=new_columns) # Create the ne
    data_ohc = pd.concat([data_ohc, new_df], axis=1) # Append the new data to the dataf
data_ohc.head()
```

Out [ 182... 2nd First 3 SsnPorch Bedroom Abv Gr Bsmt Finst 1 Bsmt Finst 2 Bsmt Full Bath Bsmt Half Bath Bsmt Un

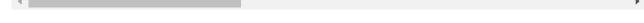
	2ndFlrSF	3SsnPorch	BedroomAbvGr	BsmtFinSF1	BsmtFinSF2	BsmtFullBath	BsmtHalfBath	BsmtUn
0	854.0	0.0	3	706.0	0.0	1	0	1!
1	0.0	0.0	3	978.0	0.0	0	1	28
2	866.0	0.0	3	486.0	0.0	1	0	43
3	756.0	0.0	3	216.0	0.0	1	0	5₄
4	1053.0	0.0	4	655.0	0.0	1	0	49

5 rows × 292 columns

In [183	<pre>data_ohc = pd.get_dummies(data, columns = object_columns, drop_first=True) data_ohc.head()</pre>
	uata_one.neau()

Out[183		2ndFlrSF	3SsnPorch	BedroomAbvGr	BsmtFinSF1	BsmtFinSF2	BsmtFullBath	BsmtHalfBath	BsmtUn
	0	854.0	0.0	3	706.0	0.0	1	0	1!
	1	0.0	0.0	3	978.0	0.0	0	1	28
	2	866.0	0.0	3	486.0	0.0	1	0	43
	3	756.0	0.0	3	216.0	0.0	1	0	52
	4	1053.0	0.0	4	655.0	0.0	1	0	49

5 rows × 249 columns



## **Linear Regression Models**

Now we are going to develop the following linear regression models.

- sklearn.linear\_model.LinearRegression
- sklearn.linear\_model.LinearRegression & sklearn.preprocessing.PolynomialFeatures
- sklearn.linear\_model.Lasso & sklearn.linear\_model.ElasticNet

### **Linear Regression**

Here we develop a simple linear regression

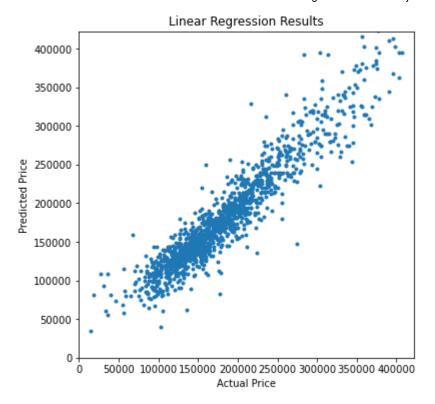
```
from sklearn.preprocessing import StandardScaler
from sklearn.model_selection import KFold, cross_val_predict
from sklearn.linear_model import LinearRegression
from sklearn.metrics import r2_score
from sklearn.pipeline import Pipeline
```

Since for all three cases we will use the same cross-validation method:

```
In [185... kf = KFold(shuffle=True, random_state=72018, n_splits=3) # Same cross-validation method
```

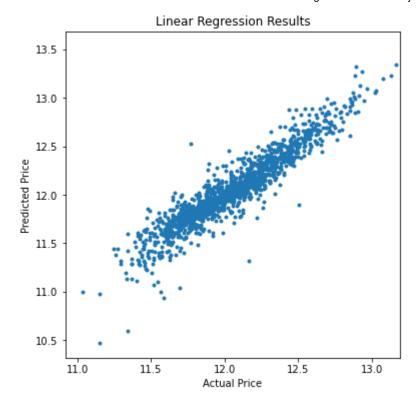
Let's first perform the linear regression for the data set with the modified categorical features (one-hot-encoded).

R^2 is very small, this may be due to the presence of outliers in the predictions.By removing the outliers and plotting the correlation, result in a clear linear correlation between the predictions and the target value.



Now let's see the correlation for a model with no categorical values and a log transformation of the target value.

Out[188... 0.8115758219323024



Result of a stronger correlation between the predictions and de target value.

#### **Linear Regression & Polynomial Features**

Let's do the same but adding polynomial features to the mix.

```
from sklearn.preprocessing import PolynomialFeatures
from sklearn.linear_model import Lasso
from sklearn.model_selection import GridSearchCV
```

Linear regression with polynomial features for the data set with the modified categorical features (one-hot-encoded).

```
print(r2_score(y_predict, target))
lr_poly = estimator.named_steps["linear_regression"].coef_
0.7498354260598211 {'polynomial features degree': 2}
```

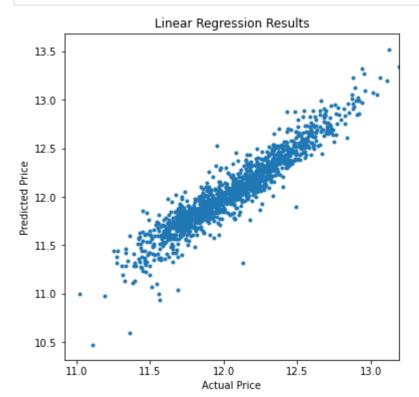
```
0.7498354260598211 {'polynomial_features__degree': 2}
1.0
```

Since the  $R^2 = 1$ , it is an indication of overfitting. Therefore, extrapolating our model to another data set will have high dispersion. We will try to correct this by applying a regularization regression.

```
0
Out[192...
                                  1
                    x21^2 -12283.0
           5247
           5263
                  x21 x37
                            -3228.0
           1126
                  x3 x139
                            -3096.0
           5413 x21 x187
                            -2899.0
           7193 x29 x187
                            -2848.0
             32
                      x31
                             5466.0
           7473
                  x31 x32
                             5551.0
           7472
                    x31^2
                             5582.0
           5253
                  x21 x27
                             7712.0
           4102
                  x16 x21
                            16082.0
          31125 rows × 2 columns
```

When we work with a model with no categorical values and a log transformation of the target value, we get a higher average of R^2 scores and more reliable results.

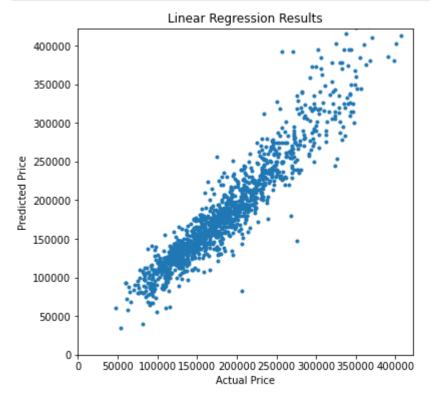
```
print(grid.best_score_, grid.best_params_)
          y_predict = grid.predict(features)
          print(r2_score(y_predict, target))
          # r2 score(np.exp(predictions) - 1, np.exp(target) - 1)
         0.8342688944832054 {'polynomial_features__degree': 1}
         0.8361798502015325
In [194...
          f = plt.figure(figsize=(6,6))
          ax = plt.axes()
          ax.plot(y predict, target,
                   marker='o', ls='', ms=3.0)
          lim = (target.mean() - 3*target.std(), target.mean() + 3*target.std())
          ax.set(xlabel='Actual Price',
                 ylabel='Predicted Price',
                 xlim=lim,
                 title='Linear Regression Results');
```



## **Regularization Regression**

Finally, since we will focus on the interpretability of the data set, we will use the Lasso regularization regression model. It will decrease the coefficients of the variables of minor importance to 0.

```
params = {
               'polynomial features degree': [2],
               'lasso_regression__alpha': np.array([934,935,936]) # Iteration 1: np.array([0.005,
                                                                   # Iteration 2: np.array([140,200
          }
                                                                   # Iteration 3: np.array([500,100
                                                                   # Iteration 4: np.array([900,950
                                                                   # Iteration 5: np.array([920,930
                                                                   # Iteration 6: np.array([934,935
          grid = GridSearchCV(estimator, params, cv=kf)
          features = new data.drop('SalePrice', axis=1)
          target = new data.SalePrice
          estimator.fit(features, target)
          grid.fit(features, target)
          print(grid.best_score_, grid.best_params_)
          y_predict = grid.predict(features)
          print(r2 score(y predict, target))
          lasso = estimator.named steps["lasso regression"].coef
         C:\Users\enzof\anaconda3\lib\site-packages\sklearn\linear_model\_coordinate_descent.py:5
         30: ConvergenceWarning: Objective did not converge. You might want to increase the numbe
         r of iterations. Duality gap: 79139121106.77234, tolerance: 860530034.3448577
           model = cd fast.enet coordinate descent(
         0.7789888340713257 {'lasso_regression__alpha': 935, 'polynomial_features__degree': 2}
         0.8649551854986306
In [196...
          df importances = pd.DataFrame(zip(estimator.named steps["polynomial features"].get feat
                            estimator.named_steps["lasso_regression"].coef_,
          ))
          df_importances.round(0).sort_values(by=1)
                   0
Out[196...
                             1
          539 x22 x32 -144320.0
          341 x10 x32 -142325.0
          363 x11 x32 -138459.0
          577 x27 x30 -129925.0
          364
               x12^2 -127653.0
          572 x26 x31
                      116655.0
          456 x16 x30
                      128747.0
          362 x11 x31
                      137363.0
          339 x10 x30
                      157674.0
          538 x22 x31
                      181247.0
         595 rows × 2 columns
```



## **Summary**

In summary, the following can be highlighted.

All the regressions were favored when log transforming the target value. Standardizing the variables is advantageous in all terms. Broadly speaking, an increase in r^2 is appreciable as new models are proposed.

#### Results:

- Linear Regression:  $r^2 = 0.81$
- Linear Regression with Polynomial effects:  $r^2 = 0.84$
- Lasso (with alpha optimization):  $r^2 = 0.87$

In conclusion, good linear relationships were obtained in all cases. The best model for this particular case is the Regression Regularization Lasso model with the corresponding alpha optimization. It

offers a greater reduction of features, which favors the interpretability of the data set, and has the larger  $r^2$ .

```
In [201... len(lasso_)

Out[201... 595

In [213... lrdf = pd.DataFrame()
    lrdf['Linear Regression'] = lr
    display(lrdf.round(0).describe())

    lrpfdf = pd.DataFrame()
    lrpfdf['Linear Regression & Polynomial Features'] = lr_poly
    display(lrpfdf.round(0).describe())

    lassodf = pd.DataFrame()
    lassodf['Lasso Regression'] = lasso_
    display(lassodf.round(0).describe())
```

#### **Linear Regression**

count	2.480000e+02
mean	1.612326e+14
std	4.234589e+15
min	-2.763824e+16
25%	-1.376000e+03
50%	3.565000e+02
75%	2.839750e+03
max	2.911521e+16

#### **Linear Regression & Polynomial Features**

count	31125.00000
mean	2.86053
std	231.75228
min	-12283.00000
25%	-15.00000
50%	0.00000
75%	15.00000
max	16082.00000

#### **Lasso Regression**

count	595.000000
mean	175.968067

#### **Lasso Regression**

std 28759.417910 min -144320.000000 25% -3905.000000 **50%** 0.000000 **75%** 3512.500000 181247.000000 max

```
In [215...
           print((lrdf > 0).sum())
           print((lrpfdf > 0).sum())
           print((lassodf > 0).sum())
```

Linear Regression 146

dtype: int64

Linear Regression & Polynomial Features 10020

dtype: int64

Lasso Regression 247

dtype: int64