# IBM MACHINE LEARNING

# SUPERVISED MACHINE LEARNING: REGRESSION MODELS FOR HOUSE PRICE PREDICTION



Fatima, Sayeda

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### 1) Project Overview

A fundamental issue real estate business face is assessing sale price based on house attributes. Grounded on hedonic price modelling theory, not only do neighbourhood-specific characteristics but also unit-specific attributes greatly drive house prices (Herath and Maier, 2010). Hence, identification of key factors driving sale prices of real estate is crucial to facilitate informed purchase decisions. It is here that Regression Machine Learning models can be very useful to gain deeper insight into underlying factors as well as their relationship in driving and estimating fair sale price of houses.

Hence, the main aim of the following regression modelling and analysis approach is to enable the business to:

- \* Find best regression model for house price prediction
- \* Identify different factors influencing house prices
- \* Predict sale price based on contributory factors

### 2) About the Dataset

### 2a) Brief description of the data set you chose:

This project uses a hypothetical dataset 'Ames, Iowa Housing Dataset' which was downloaded from the following link:

https://www.kaggle.com/datasets/prevek18/ames-housing-dataset

### **2b) Summary of Data Attributes**

The dataset exhibits 2,930 data points (rows) and 82 features (columns) reflecting on housing characteristics.

The data also comes with 'SalePrice' Column which represents the Class requiring prediction.

1	raw_data.info()		
ccla	ss 'pandas.core.f	Frame.DataFrame's	
	eIndex: 2930 entr		
	columns (total 8		
M	Column	Non-Null Count	Dtype
		NON NOTE COUNC	
9	Order	2930 non-null	int64
1	PID	2930 non-null	int64
2	MS SubClass	2930 non-null	int64
3	MS Zoning	2930 non-null	object
4	Lot Frontage	2440 non-null	float64
5	Lot Area	2930 non-null	int64
6	Street	2930 non-null	object
7	Allev	198 non-null	object
8	Lot Shape	2930 non-null	object
9	Land Contour	2930 non-null	object
10	Utilities	2930 non-null	object
11	Lot Config	2930 non-null	object
12	Land Slope	2930 non-null	object
13	Neighborhood	2930 non-null	object
14	Condition 1	2930 non-null	object
15	Condition 2	2930 non-null	object
16	Bldg Type	2930 non-null	object
17	House Style	2930 non-null	object
18	Overall Oual	2930 non-null	int64
19	Overall Cond	2930 non-null	int64
20	Year Built	2930 non-null	int64
21	Year Remod/Add	2930 non-null	int64
22	Roof Style	2930 non-null	object
23	Roof Matl	2930 non-null	object
24	Exterior 1st	2930 non-null	object
25	Exterior 2nd	2930 non-null	object
26	Mas Vnr Type	2907 non-null	object
27	Mas Vnr Area	2907 non-null	float64
28	Exter Qual	2930 non-null	object
29	Exter Cond	2930 non-null	object
30	Foundation	2930 non-null	object
31	Bsmt Qual	2850 non-null	object
32	Bsmt Cond	2850 non-null	object
33	Bsmt Exposure	2847 non-null	object
34	BsmtFin Type 1	2850 non-null	object
35	BsmtFin SF 1	2929 non-null	float64
36	BsmtFin Type 2	2849 non-null	object
37	BsmtFin SF 2	2929 non-null	float64
38	Bsmt Unf SF	2929 non-null	float64
39	Total Bsmt SF	2929 non-null	float64
40	Heating	2930 non-null	object
41	Heating QC	2930 non-null	object
42	Central Air Electrical	2930 non-null 2929 non-null	object
43	Electrical	2929 non-null	object

### 3) Main Objectives of Analysis

Real estate business performance is largely dependent on paying fair price of assets to prevent overpriced purchases and minimize loss. Hence, these businesses are continuously faced with the challenge to estimate realistic house prices and often rely on manual application of Hedonic Price Method (HPM) or hedonic regression analysis. Consequently, driven by HPM, this analysis is targeted towards answering the following queries

- What are the various contributory factors which drive house prices in a given area?
- Based on important factors, what will be projected price for different which housing units?

As a consequence, implementation of an automated machine learning (ML) HPM regression modelling process will enable the organization to:

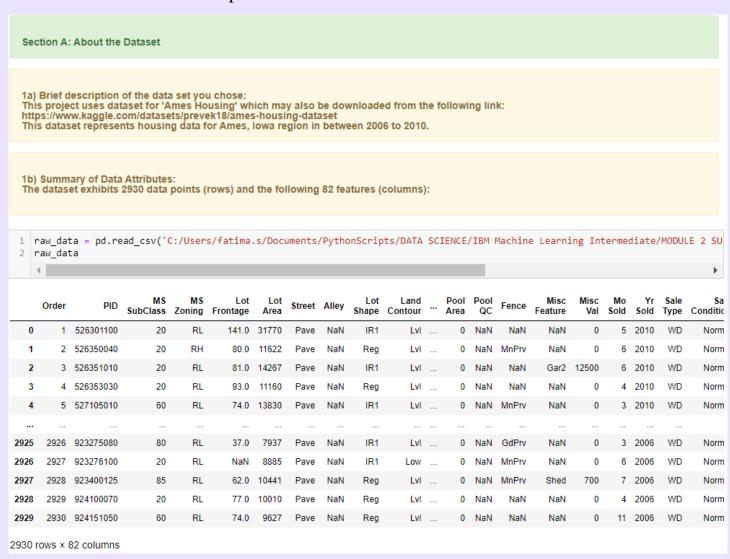
- identify key underlying factors which can appreciate or depreciate property values
- save valuable resources and funds in purchasing properties at right values
- effortlessly employ best ML HPM model and generate report with the click of a button

### 4) Data Exploration, Data Cleansing and Features Engineering

Since the quality of any machine learning model highly depends on quality of data, hence, this stage is not only most important but is also time consuming. Hence, it was conducted in a step-by-step manner.

### 4a) Data Exploration

• Data was first loaded into pandas dataframe



- A method was created to conduct preliminary analysis including computation of:
  - Descriptive statistics to summarize shape of a dataset's distribution, its dispersion and central tendency
  - Data analysis to depict data types, skewness, kurtosis, etc to facilitate subsequent data cleansing

```
def analysis(*name): # This Method will extract dataframe by name
       n = name # Extract Dataframe by Name...this will create a 3d tuple
        n = (n[0]) # Convert Tuple to To Dataframe
3
4
       df_name = [x \text{ for } x \text{ in globals}() \text{ if globals}()[x] \text{ is n}][0] \# \textit{Extract Name of Imported Dataframe to print later}]
6
       # Perform Statistics
       stats = n.describe(include = 'all').transpose()
7
8
       stats = stats.fillna(0) # Replace all Nan Values with Zero
9
10
       # Data Analysis
11
       obs = n.shape[0]
12
       types = n.dtypes
       counts = n.apply(lambda x: x.count())
13
14
       distincts = n.apply(lambda x: x.unique().shape[0])
15
       nulls = n.apply(lambda x: x.isnull().sum())
       uniques = n.apply(lambda x: [x.unique()])
16
17
       per_nulls = (n.isnull().sum()/ obs) * 100
       skewness = n.skew()
18
19
       kurtosis = n.kurt()
       corr = n.corrwith(n[target])# "SalePrice"
20
21
       #corr = corr.to string()
22
23
       # Transform Data Analysis to Dataframe
       analyze = pd.DataFrame(columns=['Columns','types', 'counts', 'distincts', 'nulls', '% nulls', 'uniques', 'skewness', 'ku
24
       analyze['types'] = types
25
       analyze['counts'] = counts
26
27
       analyze['distincts'] = distincts
       analyze['nulls'] = nulls
analyze['% nulls'] = per_nulls
28
29
30
       analyze['uniques'] = uniques
31
       analyze['skewness'] = skewness
       analyze['kurtosis'] = kurtosis
32
       analyze['Corr_Sales'] = corr
33
34
       analyze['Columns'] = analyze.index
35
       analyze = analyze.fillna(0).sort_values(by=['Corr_Sales','skewness'], ascending=False) #Fill Remaining Missing Values wi
36
       analyze = analyze.replace(["NaN"], 0).sort_values(by='Corr_Sales', ascending=False)
37
       analyze = analyze.reset_index(drop=True)
38
39
       print(colored("\nData Analysis for: ", 'green', attrs=['bold'])
              +colored(df_name, 'red', attrs=['bold'])
40
41
              + colored("\nData Shape:", 'green', attrs=['bold'])
42
              +colored(obs, 'magenta', attrs=['bold'])
43
44
45
        return analyze, stats
```

Data Analysis for: raw\_data

Data Shape:2930

#### **Summary Statistics**

	count	unique	top	freq	mean	std	min	25%	50%	75%	max
Order	2930.0	0	0	0	1.485500e+03	8.459625e+02	1.0	7.332500e+02	1465.5	2.197750e+03	2.930000e+03
PID	2930.0	0	0	0	7.144645e+08	1.887308e+08	526301100.0	5.284770e+08	535453620.0	9.071811e+08	1.007100e+09
MS SubClass	2930.0	0	0	0	5.738737e+01	4.263802e+01	20.0	2.000000e+01	50.0	7.000000e+01	1.900000e+02
MS Zoning	2930.0	7	RL	2273	0.000000e+00	0.000000e+00	0.0	0.000000e+00	0.0	0.000000e+00	0.000000e+00
Lot Frontage	2440.0	0	0	0	6.922459e+01	2.336533e+01	21.0	5.800000e+01	68.0	8.000000e+01	3.130000e+02
Mo Sold	2930.0	0	0	0	6.216041e+00	2.714492e+00	1.0	4.000000e+00	6.0	8.000000e+00	1.200000e+01
Yr Sold	2930.0	0	0	0	2.007790e+03	1.316613e+00	2006.0	2.007000e+03	2008.0	2.009000e+03	2.010000e+03
Sale Type	2930.0	10	WD	2536	0.000000e+00	0.000000e+00	0.0	0.000000e+00	0.0	0.000000e+00	0.000000e+00
Sale Condition	2930.0	6	Normal	2413	0.000000e+00	0.000000e+00	0.0	0.000000e+00	0.0	0.000000e+00	0.000000e+00
SalePrice	2930.0	0	0	0	1.807961e+05	7.988669e+04	12789.0	1.295000e+05	160000.0	2.135000e+05	7.550000e+05

82 rows × 11 columns

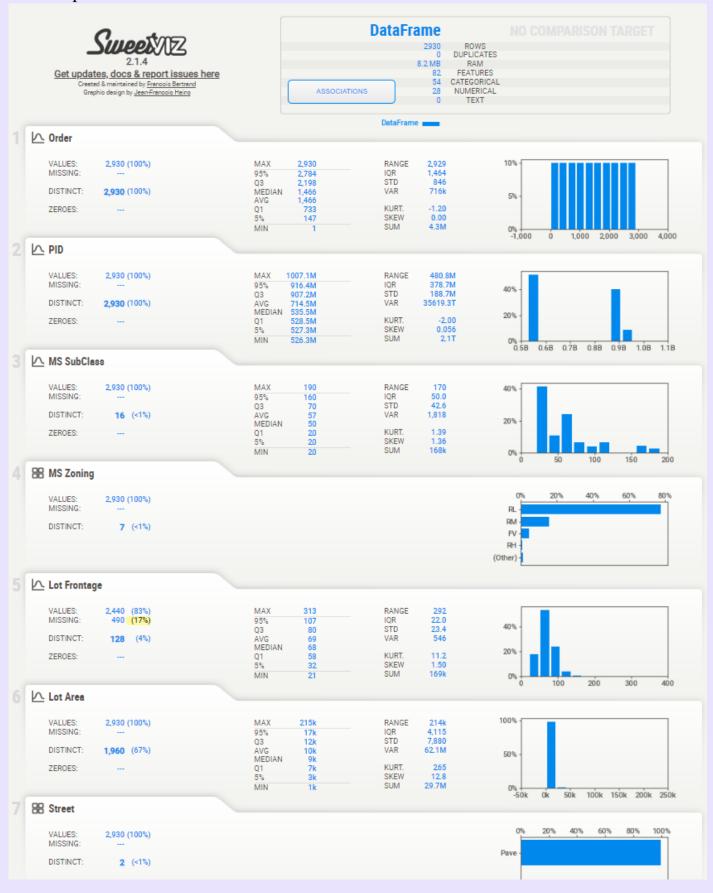
- 1 print(colored("\nData Analysis Summary:", 'cyan', attrs=['bold']))
- 2 analyze

#### Data Analysis Summary:

	Columns	types	counts	distincts	nulls	% nulls	uniques	skewness	kurtosis	Corr_Sales
0	SalePrice	int64	2930	1032	0	0.00000	0	1.743500	5.118900	1.000000
1	Overall Qual	int64	2930	10	0	0.00000	0	0.190634	0.052412	0.799262
2	Gr Liv Area	int64	2930	1292	0	0.00000	0	1.274110	4.137838	0.706780
3	Garage Cars	float64	2929	7	1	0.03413	0	-0.219836	0.244969	0.647877
4	Garage Area	float64	2929	604	1	0.03413	0	0.241994	0.951023	0.640401
77	MS SubClass	int64	2930	16	0	0.00000	0	1.357579	1.386775	-0.085092
78	Overall Cond	int64	2930	9	0	0.00000	0	0.574429	1.491450	-0.101697
79	Kitchen AbvGr	int64	2930	4	0	0.00000	0	4.313825	19.869743	-0.119814
80	Enclosed Porch	int64	2930	183	0	0.00000	0	4.014446	28.487205	-0.128787
81	PID	int64	2930	2930	0	0.00000	0	0.055886	-1.995146	-0.246521

82 rows × 10 columns

 Additional Automated Exploratory Data Analysis was performed using Sweetviz to realize visual representation.



### 4b) Data Cleansing & Features Engineering

In machine learning, feature selection is the method to reduce the number of input variables during developing predictive modelling. This reduction in input variables is necessary not only to minimize computational cost of modelling but also to achieve improved performance of the model itself.

Among widely practices feature selection approaches include statistical-based feature selection methods which use statistical measures to evaluate relationship between each input variable and the target variable and then select those exhibiting strongest relationship with the latter. While these methods can be both speedy and effective, however, the ultimate choice of statistical measure is largely dependent on data types of both of these variables.

Irrespective of the statistical measure being employed, two dominant feature selection techniques, that is supervised and unsupervised, exist where the former can be further categorized into wrapper, filter and intrinsic techniques. Filter-based feature selection methods employs statistical measures to evaluate correlation between input and output variables so that those exhibiting highest correlations are selected. Statistical measures employed in filter-based feature selection are normally univariate in nature since they evaluate relationship of single input variables one by one with target variable, disregarding their interaction with each other.

Consequently, adopting filter-based feature selection methods, the housing price prediction model approached filter engineering in three steps.

- 1) Data Encoding
- 2) Managing Multicollinearity
- 3) Final Data Cleansing
- 4) Applying Outlier Treatment

1) Prior to final features selection, <u>data encoding</u> of object or string columns was carried out to facilitate any statistical computation during features selection process. Hence, after copying original dataset, an automated method was created and employed to encode object data using Scikit-learn label encoder.

```
Data Cleansing Actions
   Method to Encode Object Type Columns :
1) List Object Type Columns & Encode Data
2) Make Decoder to Decode Encoded Data
  1 # Method to encode object/string columns
  2 def encoder(*name):
         # Accept an argument, return a value.
           n = name # Extract Dataframe by Name...this will create a 3d tuple n = (n[0]) # Convert Tuple to To Dataframe
           df_name = [x for x in globals() if globals()[x] is n][0] # Extract Name of Imported Dataframe
  8 # 1) List all Object/String Columns
           from sklearn import preprocessing
cat_columns = n.select_dtypes(include=[object]) # Get Object Type Columns to Convert to Encoded Categories
           categorical column = list(cat columns.columns)# List of columns to for Label encoding
          # Make Empty Dataframe to decode encoded data Later
 18
           decode_features = pd.DataFrame()
 20
21
            ##### Employ Scikit-Learn Label encoding to encode object data #####
           lab enc = preprocessing.LabelEncoder()
           for col in categorical_column:
    n[col] = lab_enc.fit_transform(n[col])
                       name_mapping = dict(zip(lab_enc.classes_, lab_enc.transform(lab_enc.classes_)))
                       ##### Decode Encoded Data #####
                      feature_df = pd.DataFrame([name_mapping])
feature_df = feature_df.astype(str)
feature_df= (col + " " + feature_df.iloc[6
                        feature_df= (col + "_" + feature_df.iloc[0:])
feature_df["Feature"] = col
                      decode features = decode features.append(feature_df)# Append Dictionaries to Empty Dataframe for Later Decoding
 32
                   print(colored("Feature: \n", 'blue', attrs=['bold'])
+ colored(col, 'red', attrs=['bold'])
+ colored("\nMapping: \n", 'blue', attrs=['bold'])
+ colored("anme_mapping, 'green', attrs=['bold'])
+ colored("\n\nType n: ", 'blue', attrs=['bold'])
+ colored(type(n), 'magenta', attrs=['bold'])
 38
39
 41
           n.head(3)
          43
 45
 46
           factor_list.reset_index() # Reset index before copying/assigning it to a factor_list['Description'] = factor_list.index # Assign index to column
 47
 48
 50
           return n, factor_list
                                                                                                                                                                                         þ
  1 n, factor list = encoder(df)
  5 df = n.copy()
Columns Requiring Encoding:
Columns Requiring Entodangs:
['MS Zoning', 'Street', 'Alley', 'Lot Shape', 'Land Contour', 'Utilities', 'Lot Config', 'Land Slope', 'Neighborhood', 'Condition 1', 'Condition 2', 'Bldg Type', 'House Style', 'Roof Style', 'Roof Matl', 'Exterior 1st', 'Exterior 2nd', 'Mas Vnr 1 ype', 'Exter Qual', 'Exter Cond', 'Foundation', 'Bsmt Qual', 'Bsmt Exposure', 'Bsmt Exposure', 'BsmtFin Type 1', 'Grage Cy', 'Gertaing', 'Heating QC', 'Central Air', 'Electrical', 'Kitchen Qual', 'Functional', 'Fireplace Qu', 'Garage Type', 'Garage Finish', 'Garage Qual', 'Garage Cond', 'Paved Drive', 'Pool QC', 'Fence', 'Misc Feature', 'Sale Type', 'Sale Conditio
                                                                                                                                   'Land Slope', 'Neighborhood', 'Con
or 1st', 'Exterior 2nd', 'Mas Vnr T
n']
Feature:
MS Zoning
{'A (agr)': 0, 'C (all)': 1, 'FV': 2, 'I (all)': 3, 'RH': 4, 'RL': 5, 'RM': 6}
Type n: <class 'pandas.core.frame.DataFrame'>
Feature:
Street
Mapping:
{'Grv1': 0, 'Pave': 1}
```

2) Subsequently, multicollinearity was managed by another automated method, as follows:

Method to Eliminate Columns with High Multicollinearity

- 1) Calculate Variance Inflation Factor
- Delete features with VIFS above 2.4 but with no significant relationship with target variable
- 2) Delete features with VIFS above 2.4 but with no significant relationship with target variable 3) Keep features VIFS above 2.4 but with significant relationship with target variable to avoid information loss

Multicollinearity refers to correlation between two or more independent variables which increases standard error (precision of the estimate) of the coefficient. Hence, features exhibiting high multicollinearity can overinflate standard error, thereby, decreasing precision of the estimate. While multicollinearity enlarges model variance, it also expands model dimensions without necessarily enhancing information and so distorts model

Multicollinearity can easily be computed by the variance inflation factor (VIF) which not only picks out correlation between independent variables but also strength of these correlations. Although, most research papers regard a VIF > 10 as an indicator of strong multicollinearity, nevertheless, there some scholars suggest to select a more cautious threshold of 2.5 which can signal considerable collinearity. Accordingly, Ames House Prediction model implemented a conservative VIF threshold of 2.5 with low correlation to target variable.

```
def vifs(*name):
       n = name # Extract Dataframe by Name...this will create a 3d tuple
3
       n = (n[0]) # Convert Tuple to To Dataframe
4
       analyze, stats = analysis(n) # Call function 'analysis'
6
       analyze = analyze[(analyze.Columns != target)] # Remove target Column function 'analysis'
8
       df_name = [x for x in globals() if globals()[x] is n][0] # Extract Name of Imported Dataframe
       vifs = pd.Series(np.linalg.inv(n.corr().to_numpy()).diagonal(),
10
11
                         index=n.columns,
12
                         name='VIF')
13
       vifs = vifs.drop([target]); # Remove Traget 'SalePrice' Column
14
       vifs = vifs.to_frame()
15
16
       vifs['Columns'] = vifs.index
       vifs = vifs.sort_values('VIF', ascending=False)
17
18
       # Merge with Analysis to get Correlation with Target Variable
20
       vifs = pd.merge(vifs, analyze, on='Columns', how='left')
21
       vifs = vifs[(vifs['Corr_Sales'] < 0) & (vifs['VIF']>2.4)]
22
       vifs = vifs.reset_index()
23
24
       vifs = vifs.sort_values('Columns', ascending=True)
25
       drop1 = vifs.Columns.values.tolist()
26
27
       return drop1
```

3) Using an additional automated method, statistical measures were then employed with supervised filter-based feature selection technique. Firstly, aforementioned "vif" method was called to identify columns exhibiting high multicollinearity but low correlation with sales. Then, columns with less unique features were marked. Consequently, highly skewed columns with low correlation to target were also enlisted. Lastly, Columns with extremely high null values were also keyed out. The lists were then combined to filter these columns out of the data-frame.

```
Method to Drop Columns

1) With High Multicollinearity but Low Correlation to Target
2) With Uniques < 2
3) With High Skewness and Low Correlation to Target
4) Drop Columns With High Nan Values
```

```
1 def drop_cols(*name):
        n = name # Extract Dataframe by Name...this will create a 3d tuple
        n = (n[0]) # Convert Tuple to To Datafra
        df_name = [x for x in globals() if globals()[x] is n][0] # Extract Name of Imported Dataframe
        # 1) Drop Columns with With High Multicollinearity & Low Correlation to Sales
       drop1 = vifs(n) # Call function 'vifs'
        analyze, stats = analysis(n) # Call function 'analysis'
10
       print(analyze)
11
       n = n.fillna(0) #Fill Remaining Missing Values with Zero
       # Find Mean of Mutt, Nan and Zero Values Before Any Drops
m0 = n.isin([' ','NULL','NaN', 0]).mean().sort_values(axis=0, ascending=False, inplace=False, kind='quicksort', na_posit
13
14
16
        # 2) Drop Columns with Unique Values Less than threshold
       17
18
19
        drop2 = (unique['Column_Name'].tolist()) # First List of columns to drop
21
         # 3) Drop Highly Skewed & Low Sales Correlation Columns OR Low Sales Correlation Columns
        drop3 = analyze[(analyze['Corr_Sales'] != 1) & (analyze['skewness'] > 0) & (analyze['Corr_Sales'] < 0) | (analyze['Corr_Sales'] < 0)
       drop3 = drop3.sort_values(by='Columns', ascending=True)
drop3 = drop3['Columns'].tolist() # Second List of columns to drop
        drop = drop1 + drop2 + drop3 + delete_features # Final List of columns to drop
        print(drop)
33
34
        n = n.drop(drop,1) # Drop Columns using Final List of columns to drop
        # Find Mean of Null, Nan and Zero Values Before Dropping
35
       m1 = n.isin([' ','NULL','NaN', 0]).mean().sort_values(axis=0, ascending=False, inplace=False, kind='quicksort', na_posit
38
        # 4) Drop Columns With High Nan Values
       drop_thresh = .90 # Identify Drop Threshold
n = n.loc[:, df.isin([' ','NULL', 'NaN',0]).mean() < drop_thresh] # drop columns if Mean is > 0.90
40
41
        \#df = df.fillna(\theta) \ \#Fill \ Remaining \ Missing \ Values \ with \ Zero
43
        n = n.replace(["NaN"], 0).sort_values(by=target, ascending=False) # Replace all Nan Values with Zero
45
        # Find Mean of Null, Nan and Zero Values After Dropping
        m2 = n.isin([' ','NULL','NaN']).mean().sort_values(axis=0, ascending=False, inplace=False, kind='quicksort', na_position
46
       #Print Results
        print(colored("\nDataframe Average Null Values Before Any Drops\n ", 'blue', attrs=['bold'])
               +colored(m0, 'magenta', attrs=['bold'])
+colored("\n\n Low Correlation Columns to Drop: ", 'green', attrs=['bold'])
51
               +colored(drop1, 'red', attrs=['bold'])
+colored(mop1, 'red', attrs=['bold'])
+colored("\n\nDataframe Average Null Values After Low Correlation Columns Drop\n ", 'green', attrs=['bold'])
+colored(m1, 'red', attrs=['bold'])
               +colored("n\n Drop Columns if Mean is > 0.90 \n", 'green', attrs=['bold'])
+ colored("\nDataframe Average Null Values After Drop and 'Nan' Replacement\n", 'blue', attrs=['bold'])
+colored(m2, 'magenta', attrs=['bold'])
+colored(type(m2), 'magenta', attrs=['bold'])
        return n
61
63 n = drop_cols(df)
64 df = n.copy()
```

4) Lastly, an automated method was employed to replace outliers with mode, that is, most frequent value.

```
Method to Explore and Adjust Outliers

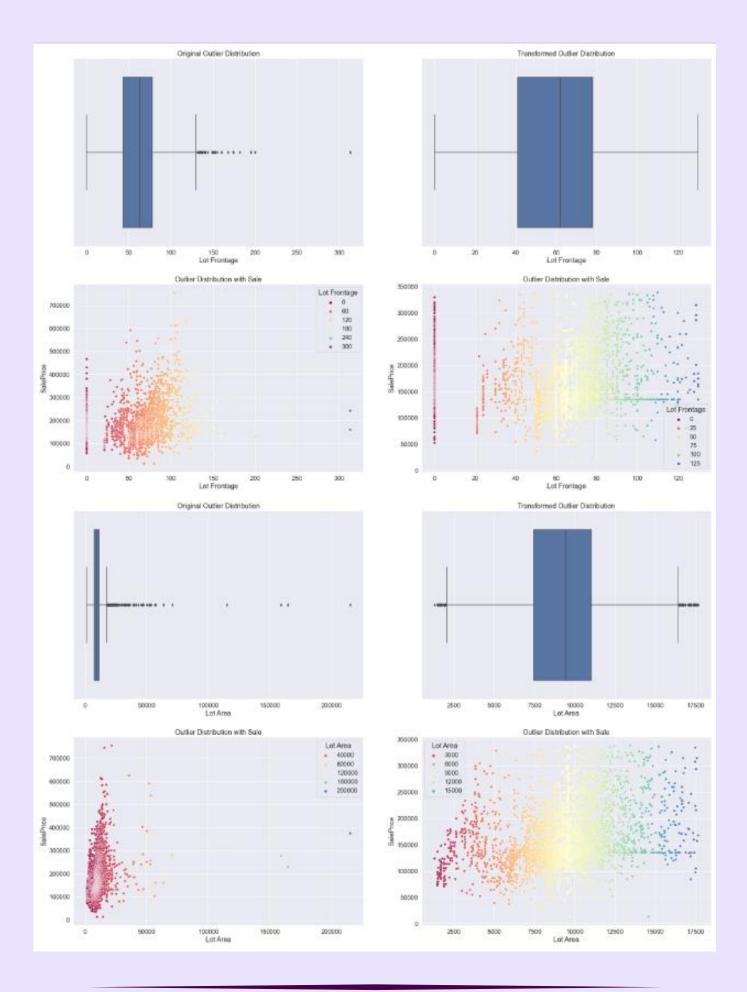
Replace Outlier Values with Mode (Most Frequent Value)
```

```
1 def outliers(*name):
       n = name # Extract Dataframe by Name...this will create a 3d tuple
        n = (n[0]) # Convert Tuple to To Dataframe
       df_name = [x for x in globals() if globals()[x] is n][0] # Extract Name of Imported Dataframe
       cols = n.columns # ALL Columns
6
8
       # Numeric Columns
       numerics = ['int16', 'int32', 'int64', 'float16', 'float32', 'float64']
9
10
       numeric_cols = n.select_dtypes(include=numerics)
11
       numeric_cols = numeric_cols.columns.tolist()
12
       categorical_cols = list(set(cols) - set(numeric_cols))
15
       # Skewed CoLumns
16
17
       skewed_cols = analyze[(analyze['skewness'] > 0) | (analyze['skewness'] < 0)]</pre>
       skewed_cols = skewed_cols['Columns'].tolist()
18
19
       # Replace Outliers
20
21
       for col in n.columns:
22
            if col in skewed_cols:
                print(colored(col, 'magenta', attrs=['bold'])
23
                         + colored(" is Skewed... ", 'blue', attrs=['bold'])
25
                mode = n[col].mode()
28
                mode = mode[0]
29
                if col in numeric cols:
30
                    31
32
33
34
35
                    #Calculate quantiles and IOR
36
                    Q1 = n[col].quantile(0.25) # Same as np.percentile but maps (0,1) and not (0,100)
                    Q3 = n[col].quantile(0.75)
38
                    IQR = Q3 - Q1
                    # Replace with Mode
39
40
                    n[col] = np.where((n[col] < (Q1 - 1.5 * IQR)) | (n[col] > (Q3 + 1.5 * IQR)), mode, n[col])
41
                    print(colored("\nReplaced ", 'blue', attrs=['bold'])
     +colored(col, 'magenta', attrs=['bold'])
42
43
                          + colored(" Skewed Values by Mode: ", 'blue', attrs=['bold'])
44
                          + colored(mode, 'red', attrs=['bold'])
+ colored('\n', 'magenta', attrs=['bold'])
45
46
47
                          + colored((n[col]), 'green', attrs=['bold'])
48
49
51
                   print("")
52
       df_transformed = n.copy()
53
       return df transformed
```

This was followed by another method to present graphical illustration of original and adjusted data side by side:

Visualize Data Distribution of both Original and New Dataframe

```
df_numeric = df_transformed.select_dtypes(exclude='object')
   for col in df numeric.columns: # Iterate over each Column and Create Visuals
   figa = plt.figure(figsize=(30, 20))
5
      sns.set(font_scale=1.5)
 6
      fig1 = figa.add subplot(221); sns.boxplot(df[col])
      fig1 = plt.title('Original Outlier Distribution')
8
9
10
      fig2 = figa.add_subplot(222); sns.boxplot(df_transformed[col])
11
      fig2 = plt.title('Transformed Outlier Distribution')
12
13
      fig3 = figa.add_subplot(223);
14
       sns.scatterplot(x = df[col], y = df[target], hue=df[col], palette= 'Spectral')
      fig3 = plt.title('Outlier Distribution with Sale')
15
16
17
      fig4 = figa.add_subplot(224);
      sns.scatterplot(x = df_transformed[col], y = df_transformed[target], hue=df_transformed[col], palette= 'Spectral')
18
19
      fig4 = plt.title('Outlier Distribution with Sale')
20
   21
22 | figb = plt.figure(figsize=(20, 10))
23
   sns.set(font_scale=1.5)
24
25 fig5 = figb.add subplot(221);
26 | fig5 = sns.distplot(df[target][~df[target].isnull()], axlabel="Nor. Dist.", fit=st.norm, fit_kws={"color":"red"})
27 fig5 = plt.title('Distribution of Sales Price')
28 (mu5, sigma5) = st.norm.fit(df[target])
29 fig5 = plt.legend(['Normal Distribution \n ($\mu=$ {:.2f} and $\sigma=$ {:.2f} )'.format(mu5, sigma5)], loc='best', fancybo
30
31 fig6 = figb.add_subplot(222);
32
   fig6 = sns.distplot(df_transformed[target][~df_transformed[target].isnull()], axlabel="Nor. Dist.", fit=st.norm, fit_kws={"c
33 fig6 = plt.title('Distribution of Sales Price')
   (mu6, sigma6) = st.norm.fit(df_transformed[target])
34
35 | fig6 = plt.legend(['Normal Distribution \n ($\mu=$ {:.2f} and $\sigma=$ {:.2f} )'.format(mu6, sigma6)], loc='best', fancybo
36
   37
38 figc = plt.figure(figsize=(20, 10))
39 sns.set(font_scale=1.5)
40 fig7 = figc.add_subplot(221);
41 | fig7 = st.probplot(df[target][~df[target].isnull()], plot=plt)
42 fig7 = plt.title('Probability Plot')
43
44 fig8 = figc.add_subplot(222);
45
   fig8 = st.probplot(df_transformed[target][~df_transformed[target].isnull()], plot=plt)
46 fig8 = plt.title('Probability Plot')
47
```



### 5) Summary of Training Different Regression Models

### 5a) Machine Learning Regression Algorithm Development Approach

Using random search, an automated optimal hyper-parameter search method was created to find optimal model parameters. This approach was employed because best hyperparameters are not automatically learnt within estimators and its manual search not only slows down model development but may also lead to ineffective model construction. Hence, an exhaustive <u>random search</u> approach was used to pass parameter arguments to the constructor in order to find optimal hyperparameters for each model, as shown below:

#### RIDGE REGRESSION MODELS Random Search Method to Find 'Best Parameters' to 'Build Ridge Regression Model WITH Optimal Hyperparameters' 1 def random\_search\_r(X\_train, y\_train): # Define Evaluation cv = RepeatedKFold(n\_splits=10, n\_repeats=3, random\_state=1) # Define Search Space space = dict() space('solver') = ['auto','svd', 'cholesky', 'lsqr', 'sparse\_cg', 'sag', 'saga', 'lbfgs'] space['alpha'] = loguniform(1e-5, 100) space['fit\_intercept'] = [True, False] space['normalize'] = [True, False] space['max\_iter'] = [500, 1000, 1500] # Define Model ridge\_model = Ridge(random\_state=rs, max\_iter=1000) # Define Search search = RandomizedSearchCV(ridge\_model, space, n\_iter=500, scoring='neg\_mean\_absolute\_error', n\_jobs=-1, cv=cv, random\_ 19 20 # Execute Search result\_r = search.fit(X\_train, y\_train) # Summarize Result best\_score\_r = result\_r.best\_score\_ 25 best params r = result r.best params best\_params\_r["best\_score"] = best\_score\_r # Add 'best\_score' to 'best\_params' Dictionary best\_params\_r = pd.DataFrame([best\_params\_r]) # Dictionary To dataframe 31 # Get Optimal Variables opt\_alpha\_r = best\_params\_r['alpha'].iloc[0] opt\_alpha\_r = '{:.6f}'.format(opt\_alpha\_r) 32 33 opt\_alpha\_r = float(opt\_alpha\_r) # Back to Float 35 opt\_solver\_r = best\_params\_r['solver'].iloc[0] opt\_fit\_intercept\_r = best\_params\_r['fit\_intercept'].iloc[0] opt\_normalize\_r = best\_params\_r['normalize'].iloc[0] opt\_max\_iter\_r = best\_params\_r['max\_iter'].iloc[0] 37 38 39 # Define Optimal Parameters 43 'fit\_intercept': opt\_fit\_intercept\_r, 44 45 'normalize': opt\_normalize\_r, 'max\_iter': opt\_max\_iter\_r, 46 'random\_state': rs} return best\_params\_r, optimal\_params\_r 51 best\_params\_r, optimal\_params\_r = random\_search\_r(X\_train, y\_train) # Call Method 'random\_search\_r' to get optimal hyperpara 52 best\_params\_r alpha fit intercept max iter normalize solver best score 0 75.322052 True 500 False auto -23514.379169

#### LASSO REGRESSION MODELS

Random Search Method to Find 'Best Parameters' to 'Build Lasso Regression Model WITH Optimal Hyperparameters'

```
1 def random_search_l(X_train, y_train):
       # Define Evaluation
3
       cv = RepeatedKFold(n_splits=10, n_repeats=3, random_state=1)
5
6
       # Define Search Space
       space = dict()
8
       space['alpha'] = loguniform(1e-5, 100)
       space['fit_intercept'] = [True, False]
9
10
        space['normalize'] = [True, False]
11
       space['precompute'] = [True, False]
       space['tol'] = loguniform(1e-4, 100)
12
13
       space['selection'] = ['cyclic', 'random']
14
       # Define Model
15
16
       lasso_model = Lasso(random_state=rs, max_iter=1000)
17
18
       # Define Search
19
       search = RandomizedSearchCV(lasso_model, space, n_iter=1000, scoring='neg_mean_absolute_error', n_jobs=-1, cv=cv, random
20
21
       # Execute Search
22
       result_1 = search.fit(X_train, y_train)
23
24
       # Summarize Result
25
       best_score_1 = result_1.best_score_
26
        best_params_1 = result_1.best_params_
27
       best_params_1["best_score"] = best_params_1 # Add 'best_score' to 'best_params' Dictionary
28
29
        best_params_1 = pd.DataFrame([best_params_1]) # Dictionary To dataframe
30
31
       # Get Optimal Variables
32
       opt_alpha_1 = best_params_1['alpha'].iloc[0]
33
        opt_fit_intercept_1 = best_params_1['fit_intercept'].iloc[0]
34
       opt_normalize_1 = best_params_1['normalize'].iloc[0]
       opt_precompute_1 = best_params_1['precompute'].iloc[0]
opt_tol_1 = best_params_1['tol'].iloc[0]
35
36
37
       opt_selection_1 = best_params_1['selection'].iloc[0]
38
39
       # Define Optimal Parameters
40
        optimal_params_1 = {'alpha': opt_alpha_1,
41
                                             'fit_intercept': opt_fit_intercept_1,
42
                                             'normalize': opt_normalize_1,
43
                                             'precompute': opt_precompute_1,
44
                                             'tol': opt_tol_1,
45
                                             'selection': opt_selection_l}
46
47
48
        return best_params_1, optimal_params_1
49
50 best_params_1, optimal_params_1 = random_search_1(X_train, y_train) # Call Method 'random_search_1' to get optimal hyperpara
51 best_params_1
```

alpha fit\_intercept normalize precompute selection tol best\_score

0 9.126019 True True False random 0.031802 ('alpha': 9.126018989876911, 'fit\_intercept': ...

#### **ELASTIC-NET REGRESSION MODELS**

Randomized Search Method to Find 'Best Parameters' to 'Build Elastic Net Regression Model WITH Optimal Hyperparameters'

```
1 def random_search_en(X_train, y_train):
                  # Define Evaluation
                 cv = RepeatedKFold(n_splits=10, n_repeats=3, random_state=1)
                  # Define Search Space
                 space = dict()
                 space['alpha'] = loguniform(1.0, 1.5, 3, 3.5)
space['l1_ratio'] = loguniform(0.5, 1)
 8
10
                 space['fit_intercept'] = [True, False]
                 space['normalize'] = [True, False]
space['precompute'] = [True, False]
11
12
13
                 space['copy_X'] = [True, False]
                space['tol'] = [1e-4, 1e-6, 1e-9]
space['warm_start'] = [True, False]
space['positive'] = [True, False]
space['selection'] = ['cyclic', 'range of the content of the c
14
15
16
17
18
19
                # Define Model
                 en_model = ElasticNet(random_state=rs, max_iter=1000)
20
21
                 # Define Search
22
23
                 search_en = RandomizedSearchCV(en_model, space, n_iter=1000, scoring='neg_mean_absolute_error', n_jobs=-1, cv=cv, random
24
25
                 # Execute Search
26
                 result_en = search_en.fit(X_train, y_train)
27
28
                  # Summarize esult
29
                 best_score_en= result_en.best_score_
30
31
                 best_params_en = result_en.best_params_
                 best_params_en["best_score"] = best_params_en # Add 'best_score' to 'best_params' Dictionary best_params_en = pd.DataFrame([best_params_en]) # Dictionary To dataframe
32
33
34
35
                  # Get Optimal Variables
36
                  opt_alpha_en = best_params_en['alpha'].iloc[0]
37
                  opt_l1_ratio_en = best_params_en['l1_ratio'].iloc[0]
                 opt_fit_intercept_en = best_params_en['fit_intercept'].iloc[0]
opt_normalize_en = best_params_en['normalize'].iloc[0]
38
39
                 opt_precompute_en = best_params_en['precompute'].iloc[0]
opt_copy_X_en = best_params_en['copy_X'].iloc[0]
opt_tol_en = best_params_en['tol'].iloc[0]
40
41
42
43
                  opt_tol_en= best_params_en['tol'].iloc[0]
44
                  opt_warm_start_en = best_params_en['warm_start'].iloc[0]
                 opt_positive_en = best_params_en['positive'].iloc[0]
45
46
                 opt_selection_en = best_params_en['selection'].iloc[0]
47
48
                  # Define Optimal Parameters
49
                  optimal_params_en = {'alpha': opt_alpha_en,
50
                                                                                                         'l1_ratio': opt_l1_ratio_en,
                                                                                                        'fit_intercept': opt_fit_intercept_en,
'normalize': opt_normalize_en,
'precompute': opt_precompute_en,
51
52
53
                                                                                                        'copy_X': opt_copy_X_en,
'tol': opt_tol_en,
54
55
                                                                                                        'warm_start': opt_warm_start_en,
'positive': opt_positive_en,
'selection': opt_selection_en}
56
57
58
59
                  return best params en, optimal params en
61 best_params_en, optimal_params_en = random_search_en(X_train, y_train) # Call Function 'random_search_en' to get optimal hyp
62 best_params_en
           ∢I
```

alpha	сору_Х	fit_intercept	I1_ratio	normalize	positive	precompute	selection	tol	warm_etart	best_score
0 6.9506	True	True	0.987434	False	True	False	random	1.000000e-09	True	('alpha': 6.950599680152801, 'copy_X': True, '

### XGBOOST REGRESSION MODELS

Random Search Method to Find 'Best Parameters' to 'Build XGBoost Regression Model WITH Optimal Hyperparameters'

```
def random_search_xgb(X_train, y_train):
3
       # Define Evaluation
4
       cv = RepeatedKFold(n_splits=10, n_repeats=3, random_state=1)
5
6
       # Define Search Space
       space = dict()
       space['learning_rate'] = [0.1, 20]
8
9
       space['subsample'] = [0.0, 1.0]
10
       space['criterion'] = ['friedman_mse', 'squared_error', 'mse']
11
       space['max_features'] = ['auto', 'sqrt', 'log2']
12
       # Define Model
13
14
       xgb_model = GradientBoostingRegressor(random_state=rs)
15
16
       # Define Search
17
       search_xgb = RandomizedSearchCV(xgb_model, space, n_iter=1000, scoring='neg_mean_absolute_error', n_jobs=-1, cv=cv, rand
18
19
       # Execute Search
20
       result_xgb = search_xgb.fit(X_train, y_train)
21
22
       # Summarize Result
23
       best_score_xgb= result_xgb.best_score_
24
       best_params_xgb = result_xgb.best_params
25
       best_params_xgb["best_score"] = best_params_xgb # Add 'best_score' to 'best_params' Dictionary
26
27
       best_params_xgb = pd.DataFrame([best_params_xgb]) # Dictionary To dataframe
28
29
        # Get Optimal Variables
30
       opt_learning_rate_xgb = best_params_xgb['learning_rate'].iloc[0]
       opt_subsample_xgb = best_params_xgb['subsample'].iloc[0]
opt_criterion_xgb = best_params_xgb['criterion'].iloc[0]
31
32
33
       opt_max_features_xgb = best_params_xgb['max_features'].iloc[0]
34
35
       # Define Optimal Parameters
36
       optimal_params_xgb = {'learning_rate': opt_learning_rate_xgb,
37
                                              'subsample': opt_subsample_xgb,
                                              'criterion': opt_criterion_xgb,
38
39
                                              'max_features': opt_max_features_xgb}
40
41
        return best_params_xgb, optimal_params_xgb
42
43 best_params_xgb, optimal_params_xgb = random_search_xgb(X_train, y_train) # Call Function 'random_search_xgb' to get optimal
44 best_params_xgb
  subsample max_features learning_rate
                                        criterion
                                                                        best score
```

### **5b) Summarizing Employed Models**

Following four main regression models have been used to predict house prices.

### 1) Ridge Regression (RR) Models

Due to the dependant nature of multiple variables in predicting variable 'y' where the output is influenced by multiple factors, ridge regression algorithm was employed. A single method was created to measure predictive capability of the following two RR models:

```
Method to 'Build Ridge Regression WITH & Without Optimal Hyperparameters'
```

```
1 # Build a Regression model with Optimal Class Weights
        def build_op_r(X_train, y_train, X_test, threshold=0.5, best_params=None):
                model = Ridge(random_state=rs, max_iter = 1000)
                 # If best parameters are provided if best_params:
                         model = make_pipeline(RobustScaler(),
                                                                         fit_intercept = best_params_r['fit_intercept'].iloc[0],
normalize = best_params_r['normalize'].iloc[0],
max_iter = best_params_r['max_iter'].iloc[0],
11
14
15
                                                                                      random_state=rs
                         model.fit(X_train, y_train)
                        # Get Prediction
                       pred = model.predict(X_test)
#pred = pred * (y_train.std(
test_ids = X_test.index
 21
                                                          (y_train.std() + y_train.mean())
23
                       pred = pd.DataFrame({'Id': test_ids, 'Predicted Price': pred})
24
                    30
31
                        feature\_names = model[:-1].get\_feature\_names\_out() \\ X\_train\_preprocessed = pd.DataFrame(model[:-1].transform(X\_train), columns=feature\_names) \# X\_train to compute standard training training
32
33
34
35
                         features = pd.DataFrame(model[-1].coef_ * X_train_preprocessed.std(axis=0), columns=["Coefficients"], index=feature
 36
37
                         model.fit(X_train, y_train)
38
39
                       pred = model.predict(X_test)
                          #pred = pred * (y_train.std() + y_train.mean())
                        test_ids = X_test.index
                       pred = pd.DataFrame({'Id': test_ids, 'Predicted Price': pred})
43
                   45
                        # Get Model Features
                        feature_names = model._check_feature_names
X_train_preprocessed = X_train.copy() #.T # Transpose X_train to compute standard deviation of the related feature
49
50
 51
                         # Multiply model coefficients by std of features to reduce all coefficients to same unit of measure.
features = pd.DataFrame(model.coef_ * X_train_preprocessed.std(axis=0), columns=['Coefficients'], index=X_train.col
                56
57
58
                  # PLot Features
                data = features.copy()
data = data[data["Coefficients"] != 0]
data.set_index('Features', inplace=True)
data.plot.barh(figsize=(30,10), color='green')
60
61
62
63
64
65
66
67
                                  "Feature Importance in Predicting " + target
                plt.title(title)
                plt.axvline(x=0, color="red")
plt.xlabel("Coefficient Values Corrected by Features' std. dev.")
68
69
70
71
72
73
74
                plt.subplots_adjust(left=0.3)
                # Get Model Results
               res = result(model)
                 return model, res, features, pred
```

# **1a) RR Model 1 Without Optimal Hyperparameter Tuning:** A simple algorithm was created without optimal hyperparameter tuning.



### **1b) RR Model 2 WITH Optimal Hyperparameter Tuning:** A modified algorithm with autohyper-tuned parameters was created using random search method described above.

#### Model 2: RIDGE With 'Optimal Hypertuned Parameters' #Running the Model...Call Method to 'Build LR Without Adjusted Class Weights' model2, res2, features2, pred2 = build\_op\_r(X\_train, y\_train, X\_test, best\_params=optimal\_params\_r) # Call Method to 'Build 4 #Collect & Append Results r2 = np.array2string(res2)#### r2 = pd.DataFrame([r2.split(';') for x in r2.split('\n')]) r2 = r2.rename(columns={0: 'SCORE'}) r2['MODEL'] = 'Ridge Optimal' r2['MODEL#'] = 'Model 2' 10 r2 4 Model Directory: Model Directory: ['\_abstractmethods\_', '\_annotations\_', '\_class\_', '\_delattr\_', '\_dict\_', '\_dir\_', '\_doc\_', '\_eq\_', '\_format\_ \_', '\_ge\_\_', '\_getattribute\_', '\_getitem\_', '\_getstate\_', '\_gt\_', '\_hash\_', '\_init\_', '\_init\_subclass\_', '\_le\_ \_', '\_len\_\_', '\_lt\_', '\_module\_', '\_ne\_', '\_new\_', '\_reduce\_', '\_reduce\_ex\_', '\_repr\_\_', '\_setattr\_', '\_setstate\_', '\_sizeof\_', '\_sklearn\_is\_fitted\_', '\_str\_', '\_subclasshook\_', '\_weakref\_', '\_abc\_impl', '\_can\_inverse\_transform', '\_can\_transform', '\_check\_feature\_names', '\_check\_fit\_params', '\_check\_n\_features', '\_estimator\_type', '\_final\_estimator', '\_fit', '\_get\_param\_names', '\_get\_params', '\_get\_tags', '\_iter', '\_log\_message', '\_more\_tags', '\_replace\_estimator', '\_repr\_html\_inner', '\_repr\_mimebundle\_', '\_required\_parameters', '\_set\_params', '\_sk\_visual\_block\_', '\_validate\_data', '\_v alidate\_names', '\_validate\_steps', 'classes\_', 'decision\_function', 'feature\_names\_in\_', 'fit', 'fit\_predict', 'fit\_transform', 'get\_feature\_names\_out', 'get\_params', 'inverse\_transform', 'memory', 'n\_features\_in\_', 'named\_steps', 'predict', 'predict\_log\_proba', 'predict\_proba', 'score', 'score\_samples', 'set\_params', 'steps', 'transform', 'verbose'] SCORE MODEL MODEL# 0 22084.51290717 Ridge Optimal Model 2 Feature Importance in Predicting SalePrice Lot Frontage Bedroom AbvGr Garage Cars Neighborhood Half Bath TotRms AbvGrd Mo Sold House Style Bsmt Unf SF 1st Flr SF Wood Deck SF Open Porch SF BsmtFin SF 1 Bsmt Full Bath Exterior 2nd Full Bath Mas Vnr Area Garage Yr Blt Foundation Garage Area Lot Area 2nd Flr SF Year Built Fireplaces r Remod/Add Overall Qual Gr Liv Area Total Bsmt SF 12000 -2000 8000 10000 4000 6000 Coefficient Values Corrected by Features' std. dev.

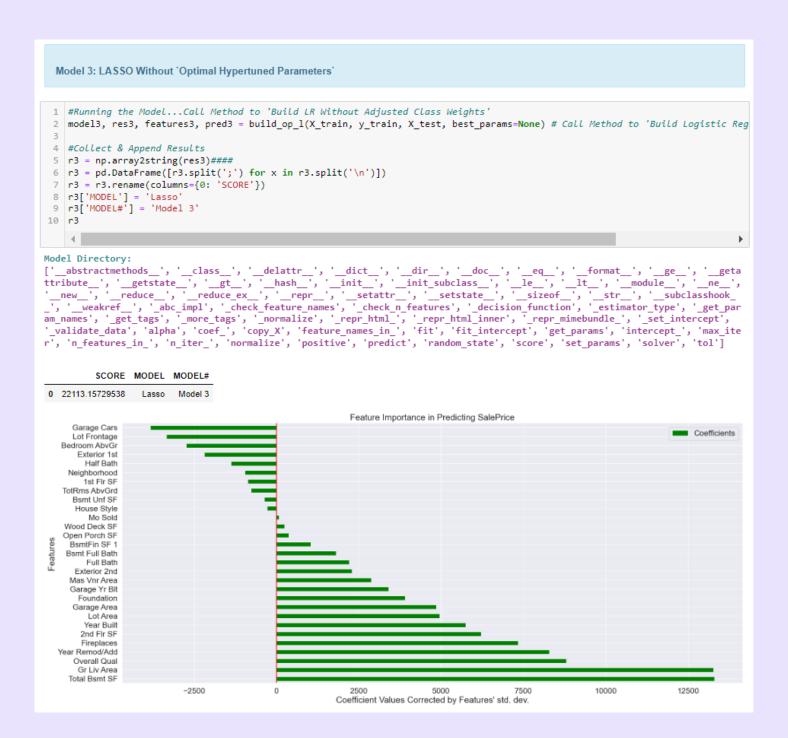
### 2) Lasso Regression (LR) Models

A single method was employed to run lasso regression models with and without optimal hyperparameter tuning:

Method to 'Build LASSO Regression WITH & Without Optimal Hyperparameters'

```
1 # Build a LASSO model with Optimal Class Weights
  2 def build_op_1(X_train, y_train, X_test, threshold=0.5, best_params=None):
                model = Ridge(random_state=rs, max_iter = 1000)
                # If best parameters are provided
               if best params:
                       model = make_pipeline(RobustScaler(),
                                                                      Lasso(alpha = best_params_1['alpha'].iloc[0],
10
                                                                                  fit_intercept = best_params_1['fit_intercept'].iloc[0],
                                                                                 normalize = best_params_1['normalize'].iloc[0],
precompute = best_params_1['precompute'].iloc[0],
tol = best_params_1['tol'].iloc[0],
selection = best_params_1['selection'].iloc[0],
11
12
13
15
                                                                                  random_state=rs
17
                       model.fit(X_train, y_train)
18
19
20
                       # Get Prediction
21
                       pred = model.predict(X_test)
22
                         #pred = pred * (y_train.std() + y_train.mean())
                        test_ids = X_test.index
24
                        pred = pd.DataFrame({'Id': test_ids, 'Predicted Price': pred})
25
26
                       # Get Model Directory
                       27
28
29
30
                       # Get Model Features
                        feature\_names = model[:-1].get\_feature\_names\_out() \ \textit{Whttps://scikit-learn.org/stable/auto\_examples/inspection/plot\_times of the properties of the prope
31
                        X_train_preprocessed = pd.DataFrame(model[:-1].transform(X_train), columns=feature_names) # X_train_to compute stame
features = pd.DataFrame(model[:-1].coef_ * X_train_preprocessed.std(axis=0), columns=["Coefficients"], index=feature
34
35
36
                        model.fit(X_train, y_train)
37
                    # Get Prediction
38
39
                      pred = model.predict(X_test)
                        #pred = pred * (y_train.std() + y_train.mean())
41
                        test_ids = X_test.index
42
                       pred = pd.DataFrame({'Id': test_ids, 'Predicted Price': pred})
43
                       44
45
46
47
48
                       # Get Model Features
49
                       feature_names = model._check_feature_names
                       X_train_preprocessed = X_train.copy() #.T # Transpose X_train to compute standard deviation of the related feature
# Multiply model coefficients by std of features to reduce all coefficients to same unit of measure.
features = pd.DataFrame(model.coef_ * X_train_preprocessed.std(axis=0), columns=['Coefficients'], index=X_train.col
50
51
52
54
               features['Features'] = features.index
               \#features = features.loc[features['Coefficients'] > \theta] \# Uncomment if only features with Coeff > \theta are required
55
               features = features.sort_values(by=['Coefficients'], ascending=False).reset_index(drop=True)
57
58
               # PLot Features
59
               data = features.copy()
60
                data = data[data["Coefficients"] != 0]
               data.set_index('Features', inplace=True)
data.plot.barh(figsize=(30,10), color='green')
61
62
63
64
               title = "Feature Importance in Predicting " + target
65
               plt.title(title)
               plt.axvline(x=0, color="red")
67
                plt.xlabel("Coefficient Values Corrected by Features' std. dev.")
68
               plt.subplots_adjust(left=0.3)
69
70
               # Get Model Results
71
               res = result(model)
                return model, res, features, pred
```

### **2a) LR Model 1 Without Optimal Hyperparameter Tuning:** A simple algorithm was created without any hyperparameter tuning.



# **2b) LR Model 2 WITH Optimal Hyperparameter Tuning:** A modified algorithm with auto hyper-tuned parameters was created using random search method described above.



### 3) Elastic-Net (EN) Models

A single method was employed to run elastic-net models with and without optimal hyperparameter tuning:

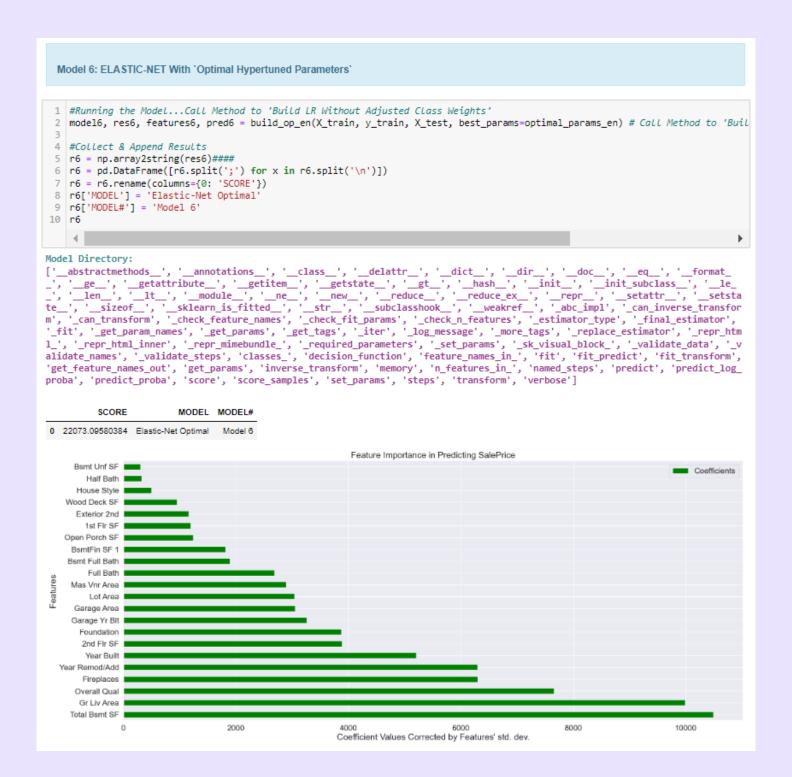
Method to 'Build ELASTIC-NET Regression WITH & Without Optimal Hyperparameters'

```
1 # Build a LASSO model with Optimal Class Weights
   def build_op_en(X_train, y_train, X_test, threshold=0.5, best_params=None):
        model = ElasticNet(random state=rs. max iter = 1000)
        # If best parameters are provided
        if best_params:
8
            model = make_pipeline(RobustScaler(),
                                    10
11
13
                                           precompute = best_params_en['precompute'].iloc[0],
                                          copy_X = best_params_en['copy_X'].iloc[0],
tol = best_params_en['tol'].iloc[0],
14
15
                                          warm_start = best_params_en['warm_start'].iloc[0],
positive = best_params_en['positive'].iloc[0],
selection = best_params_en['selection'].iloc[0]
16
17
19
20
            model.fit(X train, y train)
24
            # Get Prediction
            pred = model.predict(X_test)
            #pred = pred * (y_train.std() + y_train.mean())
            test_ids = X_test.index
27
28
            pred = pd.DataFrame({'Id': test_ids, 'Predicted Price': pred})
            31
32
            # Get Model Features
            feature_names = model[:-1].get_feature_names_out() #https://scikit-learn.org/stable/auto_examples/inspection/plot_bi
36
            X_train_preprocessed = pd.DataFrame(model[:-1].transform(X_train), columns=feature_names) # X_train to compute stand
37
            features = pd.DataFrame(model[-1].coef_ * X_train_preprocessed.std(axis=0), columns=["Coefficients"], index=feature
38
        else:
39
40
           model.fit(X_train, y_train)
42
            # Get Prediction
43
            pred = model.predict(X_test)
           #pred = pred * (y_train.std() + y_train.mean())
test_ids = X_test.index
45
            pred = pd.DataFrame({'Id': test_ids, 'Predicted Price': pred})
47
48
            49
50
51
            # Get ModeL Features
53
            feature_names = model._check_feature_names
           X_train_preprocessed = X_train.copy() #.T # Transpose X_train to compute standard deviation of the related feature
# Multiply model coefficients by std of features to reduce all coefficients to same unit of measure.
features = pd.DataFrame(model.coef_ * X_train_preprocessed.std(axis=0), columns=['Coefficients'], index=X_train.col
55
56
57
        features['Features'] = features.index
        60
61
62
        # PLot Features
        data = features.copy()
64
        data = data[data["Coefficients"] != 0]
        data.set_index('Features', inplace=True)
data.plot.barh(figsize=(30,10), color='green')
65
66
67
        title = "Feature Importance in Predicting " + target
        plt.title(title)
        plt.axvline(x=0, color="red")
plt.xlabel("Coefficient Values Corrected by Features' std. dev.")
70
71
        plt.subplots_adjust(left=0.3)
        # Get Model Results
        res = result(model)
77
        return model, res, features, pred
```

### **3a) EN Model 1 Without Optimal Hyperparameter Tuning:** A simple algorithm was created without any hyperparameter tuning:

#### Model 5: ELASTIC-NET Without 'Optimal Hypertuned Parameters' 1 #Running the Model...Call Method to 'Build LR Without Adjusted Class Weights' model5, res5, features5, pred5 = build\_op\_en(X\_train, y\_train, X\_test, best\_params=None) # Call Method to 'Build Logistic Re 4 #Collect & Append Results 5 r5 = np.array2string(res5)#### r5 = pd.DataFrame([r5.split(';') for x in r5.split('\n')]) 6 r5 = r5.rename(columns={0: 'SCORE'}) 8 r5['MODEL'] = 'Elastic-Net' 9 r5['MODEL#'] = 'Model 5' 10 r5 ∢ | Model Directory: Model Directory: ['\_abstractmethods\_', '\_class\_', '\_delattr\_', '\_dict\_', '\_dir\_', '\_doc\_', '\_eq\_', '\_format\_', '\_ge\_', '\_geta ttribute\_', '\_getstate\_', '\_gt\_', '\_hash\_', '\_init\_', '\_init\_subclass\_', '\_le\_', '\_lt\_', '\_module\_', '\_ne\_', '\_new\_', '\_reduce\_ex\_', '\_repr\_', '\_setattr\_', '\_setstate\_', '\_sizeof\_', '\_str\_', '\_subclasshook\_\_', '\_weakref\_', '\_abc\_impl', '\_check\_feature\_names', '\_check\_n\_features', '\_decision\_function', '\_estimator\_type', '\_get\_par am\_names', '\_get\_tags', '\_more\_tags', '\_repr\_html\_', '\_repr\_html\_inner', '\_repr\_mimebundle\_', '\_set\_intercept', '\_validate\_dat a', 'alpha', 'coef\_', 'copy\_X', 'dual\_gap\_', 'feature\_names\_in\_', 'fit', 'fit\_intercept', 'get\_params', 'intercept\_', 'l1\_rati o', 'max\_iter', 'n\_features\_in\_', 'n\_iter\_', 'normalize', 'path', 'positive', 'precompute', 'predict', 'random\_state', 'score', 'selection', 'set\_params', 'sparse\_coef\_', 'tol', 'warm\_start'] SCORE MODEL MODEL# 0 21970.68559716 Elastic-Net Model 5 Feature Importance in Predicting SalePrice Lot Frontage Coefficients Exterior 1st Bedroom AbvGr Neighborhood TotRms AbvGrd Garage Cars Half Bath Mo Sold Bsmt Unf SF Full Bath Bsmt Full Bath Wood Deck SF Open Porch SF Foundation 1st FIr SF Exterior 2nd Garage Yr Blt Fireplaces Mas Vnr Area BsmtFin SF 1 Garage Area Overall Qual 2nd Flr SF Year Built Year Remod/Add Total Bsmt SF Gr Liv Area 10000 12500 -25002500 5000 7500 Coefficient Values Corrected by Features' std. dev.

**3b) EN Model 2 WITH Optimal Hyperparameter Tuning:** A modified algorithm with auto hyper-tuned parameters was created using random search method described above:



### 4) Extreme Gradient Boosting (XGB) Regression Models

A single method was employed to run XGB regression models with and without optimal hyperparameter tuning:

Method to 'Build XGB Regression WITH & Without Optimal Hyperparameters'

```
1 # Build a LASSO model with Optimal Class Weights
   def build_op_xgb(X_train, y_train, X_test, threshold=0.5, best_params=None):
       model = GradientBoostingRegressor(random_state=rs)
5
6
       # If best parameters are provided
       if best params:
8
           model = make_pipeline(RobustScaler(),
                                 GradientBoostingRegressor(learning_rate = best_params_xgb['learning_rate'].iloc[0],
9
                                      subsample = best_params_xgb['subsample'].iloc[0],
criterion = best_params_xgb['criterion'].iloc[0],
10
11
12
                                      max_features = best_params_xgb['max_features'].iloc[0]
13
14
           model.fit(X_train, y_train)
15
16
17
           # Get Prediction
18
          pred = model.predict(X_test)
19
           #pred = pred * (y_train.std() + y_train.mean())
           test_ids = X_test.index
20
21
           pred = pd.DataFrame({'Id': test_ids, 'Predicted Price': pred})
22
23
           # Get Model Directory
           24
25
26
           # Get ModeL Features
27
28
           feature_names = model[:-1].get_feature_names_out() #https://scikit-learn.org/stable/auto_examples/inspection/plot_bi
29
           X_train_preprocessed = pd.DataFrame(model[:-1].transform(X_train), columns=feature_names) # X_train to compute stand
           features = pd.DataFrame(model[-1].feature_importances_ * X_train_preprocessed.std(axis=0), columns=["Coefficients"],
31
32
33
           model.fit(X_train, y_train)
35
           # Get Prediction
          pred = model.predict(X_test)
37
           #pred = pred * (y_train.std() + y_train.mean())
           test ids = X test.index
38
39
          pred = pd.DataFrame({'Id': test_ids, 'Predicted Price': pred})
40
          41
42
43
44
45
           # Get Model Features
46
           X_train_preprocessed = X_train.copy()
           features = pd.DataFrame(model.feature_importances_ * X_train_preprocessed.std(axis=0), columns=['Coefficients'], in
47
48
49
       features['Features'] = features.index
       #features = features.loc[features['Coefficients'] > 0] # Uncomment if only features with Coeff > 0 are required
50
51
       features = features.sort_values(by=['Coefficients'] , ascending=False).reset_index(drop=True)
52
53
       # PLot Features
54
       data = features.copy()
       data = data[data["Coefficients"] != 0]
55
56
       data.set_index('Features', inplace=True)
       data.plot.barh(figsize=(30,10), color='green')
58
       title = "Feature Importance in Predicting " + target
60
       plt.title(title)
       plt.axvline(x=0, color="red")
61
       plt.xlabel("Coefficient Values Corrected by Features' std. dev.")
62
63
       plt.subplots_adjust(left=0.3)
64
65
       # Get Model Results
66
       res = result(model)
67
68
       return model, res, features, pred
```

### **4a) XGB Regression Model 1 Without Optimal Hyperparameter Tuning:** A simple algorithm was created without any hyperparameter tuning:

### Model 7: XGB Without 'Optimal Hypertuned Parameters' 1 #Running the Model...Call Method to 'Build LR Without Adjusted Class Weights' 2 model7, res7, features7, pred7 = build\_op\_xgb(X\_train, y\_train, X\_test, best\_params=None) # Call Method to 'Build XGB Withou 4 #Collect & Append Results r7 = np.array2string(res7)#### 6 r7 = pd.DataFrame([r7.split(';') for x in r7.split('\n')]) 7 r7 = r7.rename(columns={0: 'SCORE'}) r7['MODEL'] = 'XGB'r7['MODEL#'] = 'Model 7' 10 r7 4 ∣ Model Directory: ['\_SUPPORTED\_LOSS', '\_abstractmethods\_', '\_annotations\_', '\_class\_', '\_delattr\_', '\_dict\_', '\_dir\_', '\_doc\_', '\_eq\_', '\_format\_', '\_ge\_', '\_getattribute\_', '\_getitem\_', '\_getstate\_', '\_gt\_', '\_hash\_', '\_init\_', '\_init\_sub class\_', '\_iter\_', '\_le\_', '\_len\_', '\_lt\_', '\_module\_', '\_ne\_', '\_new\_', '\_reduce\_', '\_reduce\_ex\_', '\_repr\_\_', '\_setattr\_', '\_setstate\_', '\_sizeof\_', '\_str\_', '\_subclasshook\_', '\_weakref\_', 'abc\_impl', '\_check\_feature\_nam es', '\_check\_initialized', '\_check\_n\_features', '\_check\_params', '\_clear\_state', '\_compute\_partial\_dependence\_recursion', '\_est imator\_type', '\_fit\_stage', '\_fit\_stages', '\_get\_param\_names', '\_get\_tags', '\_init\_state', '\_is\_initialized', '\_loss', '\_make\_e stimator', '\_more\_tags', '\_raw\_predict', '\_raw\_predict\_init', '\_repr\_html\_', '\_repr\_html\_inner', '\_repr\_mimebundle\_', '\_require d\_parameters', '\_resize\_state', '\_rng', '\_staged\_raw\_predict', '\_validate\_data', '\_validate\_estimator', '\_validate\_y', 'alpha', 'apply', 'ccp\_alpha', 'criterion', 'estimators\_', 'feature\_importances\_', 'feature\_names\_in\_', 'fit', 'get\_params', 'init', 'in it\_', 'learning\_rate', 'loss', 'loss\_', 'max\_depth', 'max\_features', 'max\_features\_', 'max\_leaf\_nodes', 'min\_impurity\_decreas e', 'min\_samples\_leaf', 'min\_samples\_split', 'min\_weight\_fraction\_leaf', 'n\_estimators', 'n\_estimators\_', 'n\_features\_', 'n\_features\_in\_', 'n\_iter\_no\_change', 'predict', 'random\_state', 'score', 'set\_params', 'staged\_predict', 'subsample', 'tol', 'train\_score\_', 'validation\_fraction', 'verbose', 'warm\_start'] Model Directory: SCORE MODEL MODEL# 0 19199.15530485 XGB Model 7 Feature Importance in Predicting SalePrice Foundation Coefficients Bedroom AbvGr Half Bath TotRms AbvGrd Bsmt Full Bath Exterior 2nd Exterior 1st Mo Sold Full Bath Fireplaces Garage Cars Neighborhood Open Porch SF Lot Frontage Overall Qual Wood Deck SF Year Remod/Add Year Built = Bsmt Unf SF Garage Yr Blt Garage Area 2nd Flr SF

Coefficient Values Corrected by Features' std. dev.

1st Fir SF
Total Bsmt SF
Gr Liv Area
Lot Area
0

**4b) XGB Regression Model 2 WITH Optimal Hyperparameter Tuning:** A modified algorithm with auto hyper-tuned parameters was created using random search method described above:



### 6) Key Findings to the Main Objectives of Analysis

### **6a) Result Summary**

Re	Recommended Model:							
Re	Result Summary is given below:							
	SCORE	MODEL	MODEL#					
0	19199.155305	XGB	Model 7					
0	19270.679101	XGB Optimal	Model 8					
0	21970.685597	Elastic-Net	Model 5					
0	22026.565843	Lasso Optimal	Model 4					
0	22073.095804	Elastic-Net Optimal	Model 6					
0	22084.512907	Ridge Optimal	Model 2					
0	22113.157295	Ridge	Model 1					
0	22113.157295	Lasso	Model 3					

### 6b) Recommended Model and Justification

Recommended Model and Justification:

Model Scoring has been carried out using mean squared error (MSE).

MSE shows closeness of a regression line to a set of points and helps in finding average of a set of errors.

It takes the distances (or errors) from the points to the regression line and squares them to remove any negative signs. Since it lends more weight to larger differences, hence, the lower the MSE, the better the forecast.

In other words, the smaller the MSE, the closer the model is to the line of best fit.

A Score of Zero would mean the model is perfect.

Therefore, when scoring a regression model with MSE, a minimal score would imply a better prediction Hence, we will select the model with Minimal Score.

In this case, the Model XGB is yielding Minimal Score of 19199.15530465.

Hence, we will select this model for Ames, Iowa House Price Prediction.

### **6c) Summarizing Model Drivers**

Main Drivers behind top performing Lasso Optimal model are as follows:

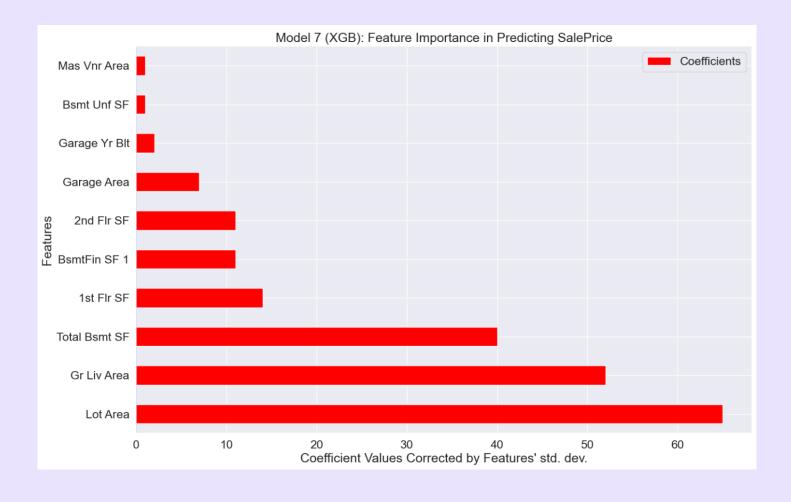
- Uses random search method to find optimal parameters to achieve best hyper-tuning
- Runs lasso regression model with above drivers to get top contributory features

### **6d) Enlisting Top Contributory Factors**

Top Factors Contributing to features driving sale value are cited under in ascending order of importance:

Co	Contributory Features driving Sales Price:							
Fe	atures Summary	with Coefficient Values is given below:						
	Features	Coefficients						
0	Lot Area	65						
1	Gr Liv Area	52						
2	Total Bsmt SF	40						
3	1st Flr SF	14						
4	BsmtFin SF 1	11						
5	2nd Flr SF	11						
6	Garage Area	7						
7	Garage Yr Blt	2						
8	Bsmt Unf SF	1						
9	Mas Vnr Area	1						

### 6e) Visualizing Top Contributory Factors Driving Sale Value



### 6f) Sale Price Prediction on Test/New Data

Predicted sale price for test data were extracted from top performing model as follows:

```
5. Predict Sale Price on Ames Homes' Original Test Data
1 # Get Target Variable Predictions
  if model == 'Model 1':#
       prediction = pred1.copy()
4 elif model == 'Model 2':
      prediction = pred2.copy()
  elif model == 'Model 3':
      prediction = pred3.copy()
8 elif model == 'Model 4':
      prediction = pred4.copy()
9
10 elif model == 'Model 5':#
11
      prediction = pred5.copy()
12 elif model == 'Model 6':
      prediction = pred6.copy()
13
14 elif model == 'Model 7':
       prediction = pred7.copy()
16 elif model == 'Model 8':
17
      prediction = pred8.copy()
18 else:
19
      print("")
20
21 # Attach Predictions to Test Data
22 test_data = raw_data.copy()
25 test_data['Id'] = test_data.index
26 test_data = test_data.merge(prediction, on='Id', how='left').sort_values(by=['Id'], ascending=True).fillna(0)
27 test_data = test_data[test_data[predicted_var] != 0]
28 test_data = test_data[cols]
29 | test_data[predicted_var] = test_data[predicted_var].astype(int)
30 test_data['Price Difference'] = test_data[predicted_var] - test_data[target]
            Lot
                  Gr Liv Total Bsmt
                                  1st Flr
                                           BsmtFin
                                                   2nd Flr
                                                            Garage
                                                                   Garage Yr Bsmt Unf
                                                                                     Mas Vnr
                                                                                                        Predicted
                                                                                                                      Price
       ld
                                                                                             SalePrice
                                                                                                                   Difference
           Area
                   Area
                                             SF 1
                                                             Area
                                                                        Blt
                                                                                 SF
                                                                                        Area
                                                                                                           Price
          31770
                                                             528.0
  0
       0
                   1656
                           1080.0
                                    1656
                                             639.0
                                                       0
                                                                      1960.0
                                                                               441.0
                                                                                        112.0
                                                                                               215000
                                                                                                          195944
                                                                                                                     -19056
  4
       4
           13830
                   1629
                                                             482.0
                                                                     1997.0
                                                                                         0.0
                                                                                                          184844
                            928.0
                                    928
                                             791.0
                                                     701
                                                                               137.0
                                                                                               189900
                                                                                                                      -5056
```

0 6 4920 582 0 6 1338 1338 0 1338 616.0 2001.0 722 0 0.0 213500 211758 -17429 7500 9 1804 994.0 1028 0.0 776 442.0 1999.0 994.0 0.0 189000 208501 19501 15 53504 3279 1650.0 1690 1416.0 1589 841.0 2003.0 234.0 603.0 538000 240286 -297714

These findings were compiled and subsequently exported in the form of a well formatted coloured excel report.

### 7) Future Directions

### 7a) Possible Flaws in Chosen Model

- The model uses Mean Squared Error (MSE) as scoring method which may be highly biased for higher values.
- Just like "delete\_features" list, the model needs to incorporate user input list to keep features deemed necessary so that they are not automatically dropped

```
Outline Editable Variables

In [1]:

| output_file_path = "C:/Users/fatima.s/Downloads/Ames Housing Price Prediction.xlsx"
| #save_plot = "C:/Users/fatima.s/Downloads/Features.png"
| save_plot = "Features.png"
| 4 | delete_features | = ['Roof Matl', 'Alley'] # List Specific Features you want to retain for automated drops
```

### 7b) Recommendations

Following suggestions are likely to improve the model even further:

• Incorporate "keep\_features" list and use it to eliminate these from final "drop" list in row 16 of project notebook

```
drop = drop1 + drop2 + drop3 + delete_features # Final List of columns to drop
```

- Introduce more models like Decision Trees and Random Forest
- Implement a method to combine best performing models to ensure enhanced performance and more effective generalization, (see, for example, 8) Useful Links, 8a-a)
- Apply other deep learning models like TensorFlow
- Because of biasness of MSE towards higher values, scoring may be substituted by Root Mean Squared Error (RMSE) which may reflect model performance whilst dealing with increased error values.
- Apply plot to depict both MSE and RMSE (see, Machines, 2022)

### 8) Useful Links

### 8a) Link to Other Useful Models

- a) https://www.kaggle.com/code/mgmarques/houses-prices-complete-solution
- b) <a href="https://www.kaggle.com/code/marto24/beginners-prediction-top3">https://www.kaggle.com/code/marto24/beginners-prediction-top3</a>
- c) https://www.kaggle.com/code/mchatham/ames-housing-regression
- d) https://www.kaggle.com/code/mkariithi/real-estate-sales-price-prediction/notebook
- e) https://www.kaggle.com/code/bashkeel/eda-to-ensemble-model-lasso-ridge-xgboost
- f) <a href="https://www.kaggle.com/code/gerlandore/advanced-house-regression-eda-model-comparison">https://www.kaggle.com/code/gerlandore/advanced-house-regression-eda-model-comparison</a>
- g) https://www.kaggle.com/code/prasadperera/the-boston-housing-dataset/notebook
- h) <a href="https://www.kaggle.com/search?q=ADVANCED+LINEAR+REGRESSION+BOSTON+H">https://www.kaggle.com/search?q=ADVANCED+LINEAR+REGRESSION+BOSTON+H</a> OUSE+PREDICTION
- i) <a href="https://www.kaggle.com/code/koki25ando/nba-salary-prediction-using-multiple-regression">https://www.kaggle.com/code/koki25ando/nba-salary-prediction-using-multiple-regression</a>

### 8b) Github Link to Assignment Notebook and Other Files

https://github.com/FATIMASP/IBM-MACHINE-LEARNING-CERTIFICATION/tree/main/Supervised%20Machine%20Learning:%20Regression



LINEAR REGRESSION AMES, IOWA HOUSE PRICE PREDICTION.ipynb

### References

Herath, S. & Maier, G., 2010. *The hedonic price method in real estate and housing market research: a review of the literature, (pp. 1-21)*, Vienna, Austria: University of Economics and Business: Institute for Regional Development and Environment,

Machines, I. L., 2022. *Mean Squared Error*. [Online] Available at: <a href="https://insidelearningmachines.com/mean\_squared\_error/">https://insidelearningmachines.com/mean\_squared\_error/</a> [Accessed 24 09 2022].