Data Analysis Project 1

MA8701

Group 5 : Yellow Submarine

15 February, 2021

In this project, we analyse a real dataset using shrinkage methods from part 1 of the MA8701 course.

Note on Open Science

To pursue the idea of reproducible research, the chosen dataset as well as the code for our analysis are publicly accessible:

- dataset: https://data.ub.uni-muenchen.de/2/1/miete03.asc
- code: https://github.com/FlorianBeiser/MA8701

The Data Set

For our project work we use the Munich Rent 2003 data set as described in https://rdrr.io/cran/LinRegInteractive/man/munichrent03.html. The data set has 12 original covariates, where a brief introduction to these parameters is listed below (in brackets the type of the covariate is explicated), and 2053 observations are available:

- `nmqm`: rent per square meter (double)
- `wfl`: area in square meters (int)
- `rooms`: number of rooms (int)
- `bj`: year of construction (Factor)
- `bez`: district (Factor)
- `wohngut`: quality of location (int)
- `wohnbest`: high quality of location (int)
- `ww0`: hot water supply available (int)
- `zh0`: central heating (int)
- `badkach0`: tiled bathroom (int)
- `badextra`: high-quality bathroom (int)
- `kueche`: upscale kitchen equipment (int)

and the response

- `nm`: rental price (double).

The label "double" naturally stands for numerical values, "int" categorizes parameters with integer values, and "Factor" symbolize parameter taking a certain number of levels - where in contrast to integers a higher level does not necessarily mean an improvement.

Since the price per square meter `nmqm` multiplied with the area `wfl` directly gives the rental price `nm` which we define as the response in the system, it does not make sense to keep both values. Hence, we exclude `nmqm` from the data set to avoid it consuming all the significance in the coming data analysis.

Figure 1 shows the correlation between covariates ignoring the factorials and reveals that the dataset may suffer from a very light multi-colinearity.

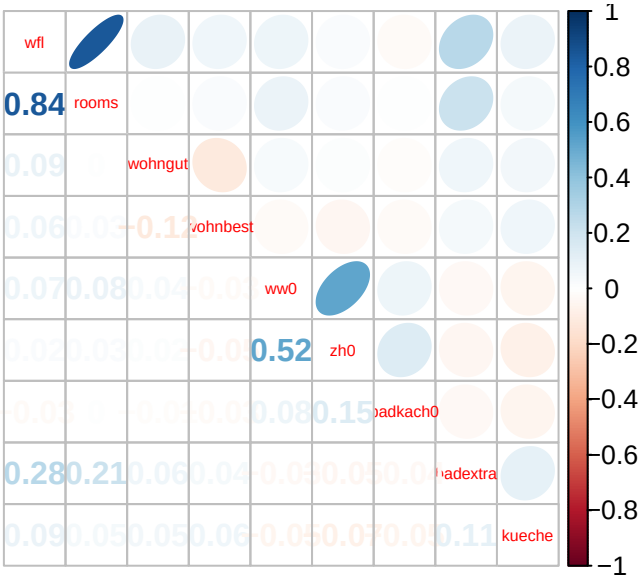


Figure 1: Exploration of multi-colinearity in the data set

However, the factorial variable `bj` and `bez` introduce 44 and 25 levels, respectively, leading to relatively unclear dependencies between the full covariate set (including factorial variables) and the response, which makes this dataset suitable for a regression analysis and the application of shrinkage methods.

Data Analysis

Subsequently, we start with a plain linear regression model as reference such that we can particularly point out the benefits of shrinkage approaches. As shrinkage methods, we employ the ridge, the lasso and the group lasso. The latter approach seems to be very well suited for our data set, as it allows to take the factorial variables as a single unit for shrinkage.

Regression

We start the data analysis with a vanilla LM regression for reference using R's internal `lm` functionality

The the regression results show a lot of significant covariates. As maybe expected, the area `wfl` is strongly related to the rent price, however confusingly, the significance of different levels of the years of construction `bj` and districts `bez` varies a lot. From those both observations, it is not possible, to extract clear data analysis results, which also would match our interpretation of the problem.

Ridge Shrinkage

As first shrinkage method, we consider the ridge regression that uses Tikhonov regularisation in the model, where we utilize the `glmnet` library for its implementation in R. Since ridge introduces the additional tuning parameter λ we perform cross validation for the model selection, i.e. for the choice of the optimal λ, where we follow the advice in the ELS to choose λ as the one with minimal CV-error plus one standard deviation of the CV-error.

In Figure 2 on the left, the cross validation for different values of the regularization parameter λ is shown. On the right, the coefficients for the individual covariates are depicted agains $\log \lambda$, where the optimal λ-choice is highlighted. As typical for ridge, the coefficients are shrinked towards 0, but all parameters remain positive weights. This makes the outcome still hard to interpret for our practical data set at hand.

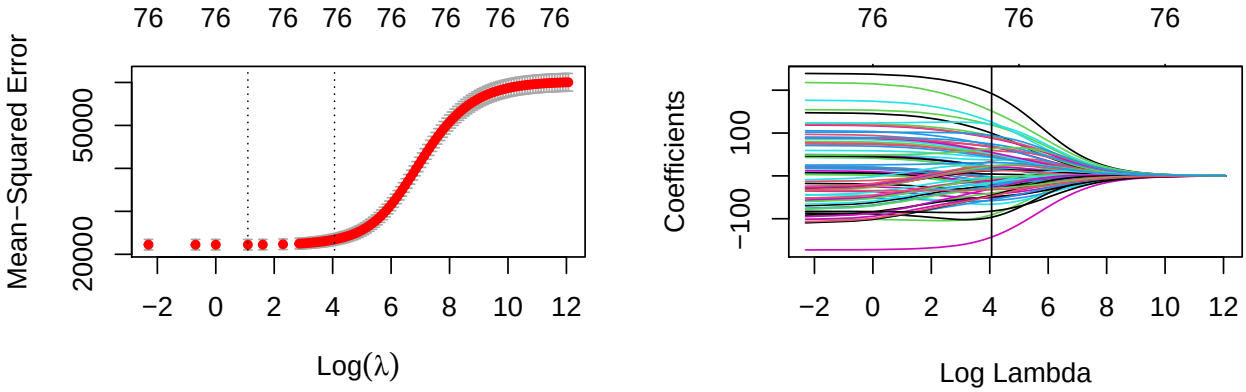


Figure 2: Model selection for ridge shrinkage

Lasso

In contrast to the previous ridge regression, the lasso adds L_1-regularisation to the regression problem. As before, the implemenation in R relies on the `glmnet` library and the hyperparameter λ is tuned as aforementioned.

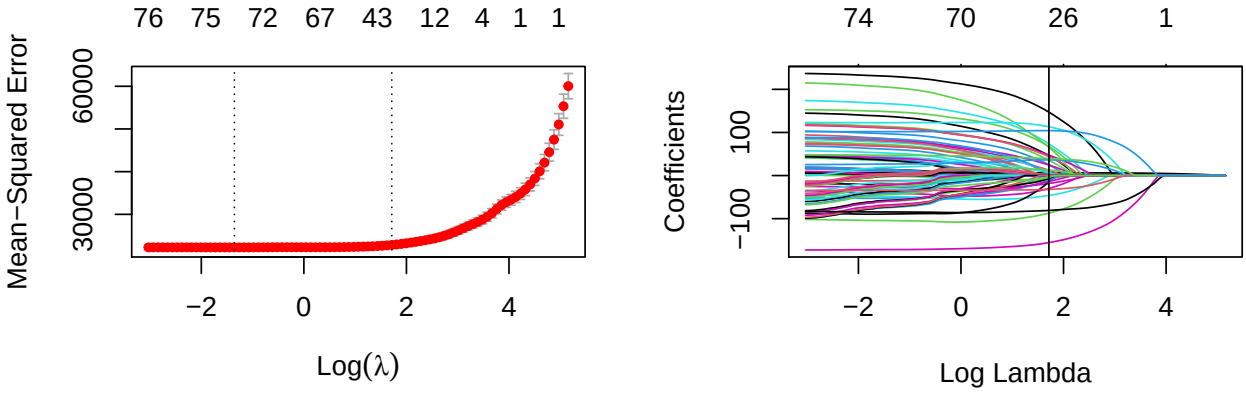


Figure 3: Model selection for lasso shrinkage

In Figure 3 on the left, the cross validation for different values of the regularization parameter λ is shown. On the right, we again see the model coefficients of the covariate set plotted against $\log \lambda$ where the optimal λ chosen by cross validation and the decision rule in ELS is highlighted. Finally and as expected, some coefficients are shrinked to 0. However for the optimal λ, some levels of the construction years `bj` and some of the districts `bez` are shrinked to 0 and other would be still significant. For the practical model problem, this is a non-intuitive behaviour.

Group lasso

The group lasso allows to gather some of the covariates and treat those with the same coefficient jointly in the L_1-regularised problem. For the implementation in R we utilize the `grplasso` library. Naturally, we group the different levels of the factorial variables, i.e. the years of construction `bj` and the different levels for the districts `bez` together, respectively.

Again we employ the same model selection criterion via cross validation as above, but as `grplasso` does not contain a built in cv function of our knowledge, we implement it in R using the `gglasso` library. In the cross validation procedure, we can observe sudden jumps when a new group is included or shrinked from the model. Since the calculatations either include all or none of the levels of the factorial variables, this can lead to a jump in the number of parameters from 9 to 53 in a single step on the lambda grid.

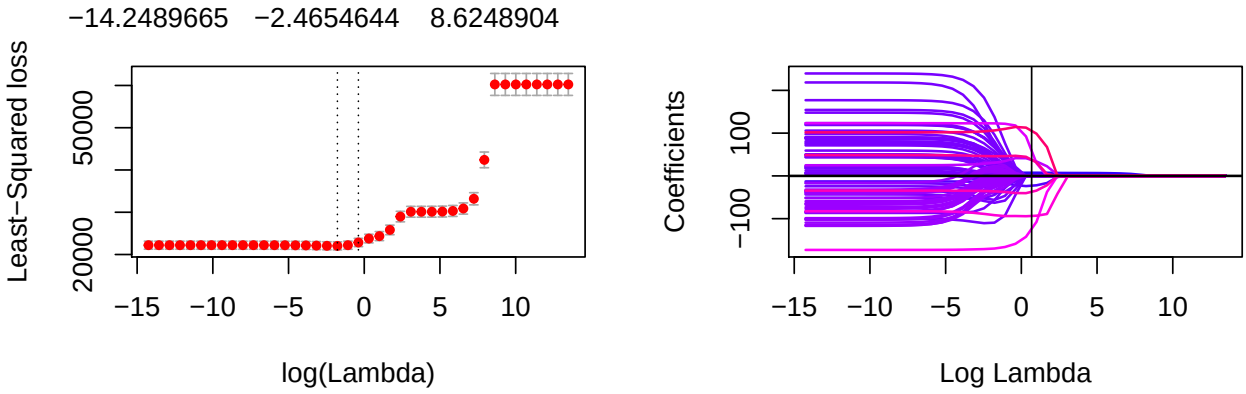


Figure 4: Model selection for group lasso

In Figure 4 on the left, the cross validation for different values of the regularization parameter λ is shown. (NB, in contrast to the previous packages, `gglasso` does not show `nzeros`, the number of active covariates per λ, in the head line above the plot) The jumps when a new group of covariates are included in the model are clearly visible. On the right, we again depict the coefficients of the covariates against the $\log \lambda$ and highlight the optimal hyperparameter. By construction, all levels of a factorial variable are shrinked to zero simultaneously. This means that either all levels remain in the model or all levels are excluded, which corresponds better to the practical interpretation of those variables.

Summary

```
## 14 x 4 sparse Matrix of class "dgCMatrix"
##               vanilla LS       ridge general lasso group lasso
## (Intercept)  162.310441  189.426083    119.818077  105.441191
## wfl            6.921638    4.218308      6.395661    7.417871
## rooms        -12.919931   34.176508      .         -23.020781
## bj1998.5     119.079298   88.120257     47.543100    .
## bj1999        47.001514   21.768019      .           .
## bez15        -85.041679  -16.891184      .           .
## bez16       -109.255107  -45.710723    -13.888054    .
## wohngut       24.911148   30.820570     36.368780   37.895305
## wohnbest     123.264686  119.790433    113.137794   64.116043
## ww0         -173.087458 -142.866851   -155.530513 -126.661696
## zh0          -82.624164  -82.303060    -80.904162  -93.773532
## badkach0     -34.489575  -32.295839    -32.094845  -37.658891
## badextra      48.627634   63.433910     39.534779   38.736540
## kueche       101.861941   94.252417    104.214296  106.457053
```

Lastly, we depict a subset of 14 parameter estimates from the methods presented in this report, with most of the grouped covariates for `bez` and `bj` removed for simplicity.

By including two estimated parameters from `bez` and `bj`, we demonstrate the non-intuitive behaviour of the general lasso. We observe that the `bez` and `bj` parameters not shrinked by the general lasso, corresponds to the highly significant covariates in the vanilla LS. Furthermore, there is a continuous shrinkage of the grouped covariates, starting from vanilla LS, shrinked in rigde and then further in general lasso, before finally resulting in zero for the grouped lasso. These trends are repeated for all parameter estimates in `bez` and `bj`, including the ones not listed above.

For the non grouped covariates however, the shrinkage is moving in a bumpy pace, by sometimes being shrinked and other times in fact increased when compared to the Vanilla LS.

@HMO How to explain this last part???? Do we need to include it? I am a true believer of the less you know the less you say

Inference

Can we afford a test set?

The data set is presumably too small to divide it into a training and a test set. We investigate this assumption by pretending an 80/20 training-test split for 100 different random splittings and keeping track of the response mean of the test set.

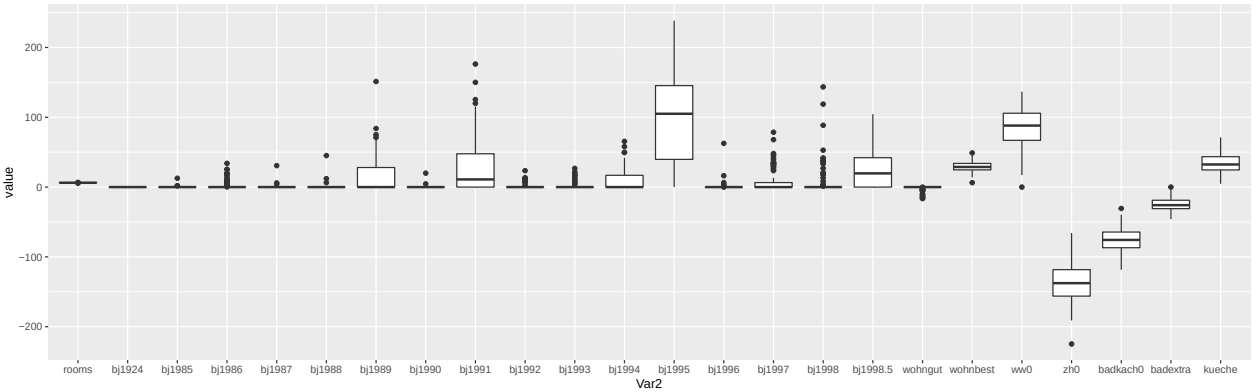
The variance of the test mean is more than 121, which means that depending on the split huge variations in the test data would be introduced, whereby the test data cannot be used for a proper representation of the original data set. This justifies why we cannot afford a split.

Bootstrapping

«««< HEAD As seen before, we cannot afford a split into test and training data for our data set, wherefore we use bootstrapping for inference. Bootstrap can be applied here to find the proportion of times each element in the coefficients vector of being zero. So it is a way of validation. For bootstrapping, boxplot and barplot can show how many percentages of that variable of being zero. They are hence useful for comparing with the shrinked results. From the barplot 5 one can tell that the majority of the coefficients for those year covariates `bj` and those factorical covariates `bez` are mainly zero while the dominating factors are non zero which reflects their significance as well. ======= As seen before, we cannot afford a split into test and training set for our data set, therefore we use bootstrapping for inference. Bootstrap can be applied here to find the proportion of times each covariate is shrinked to zero. So it is a way of validation. By looking at the boxplot and barplot, we observe the percentage of time each variable is shrinked to zero. One can tell that the majority of the coefficients for the year covariates are zero while the rest of the dominating factors are non zero, which reflects their significance as well.

In conclusion, one can tell group lasso seems to work suitably for this specific case where its categorical covariates have many groups. Ridge regression does not shrink any parameters dramatically while lasso does a bit on the shrinkage, but the most shrinked contribution is from group lasso.

@YG: Please trim the boxplot as discussed in the meeting on Wednesday @YG: Please change the order to follow the narrative which we discussed in the meeting on Wednesday »»»»> 040f4f55df7177b5053c51be782d9dc3d31506f6



The boxplot **??** is thereafter to be viewed only with those significant covariates to demonstrate the variability of the corresponding coefficients. The bootstrapped boxplot does prove that the variability of some of coefficients are huge which might imply that the size of the dataset is too small to afford a test set.

«««< HEAD So to conclude, one can tell group lasso seems working suitably for this specific case where its categorical covariates have many groups. Ridge regression does not shrink any parameters dramatically while lasso does a bit on the shrinkage, but the most shrinked contributation is from group lasso.

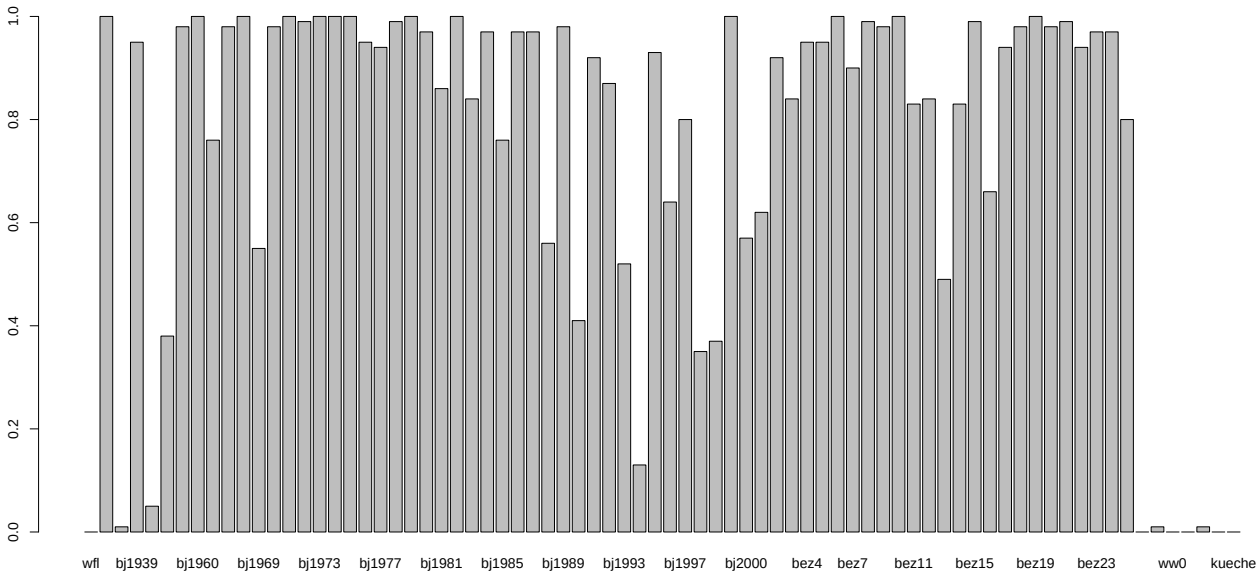


Figure 5:

======= @YG: what happened to the grouped covariates always being shrinked to zero in the histogram you showed last meeting?? This does not make sense, Please explain this tomorrow!What are you validating? The ridge, general lasso or the grouped one? Or are you validating them all at the same time? I'm not a bootstrap expert but I am lost, so please include an explanation! »»»»> 040f4f55df7177b5053c51be782d9dc3d31506f6

Conclusion

«««< HEAD In this project, we have chosen a practical data set which contains data on rental prices in Munich (two of the group members are practically familiar with the difficult housing situation in Munich and it was appealing to analyse this statistically). For the data analysis, the factorial variables needed special attention. A plain vanilla and ridge regression were not capable to give explainable outcomes. Likewise, the result of the lasso was contra-intuitive in the unclear handling of the factorial varibles. Finally, the group lasso where a factorial varible can be arranged together leads to an interpretable shrinkage conclusion, where all variables except the factorial are selected for the optimal hyperparemeter choice. From the inference validation, it can be concluded that the variability of ======= In this project, we have chosen a practical data set which contains data on rental prices in Munich (two of the group members are practically familiar with the difficult housing situation in Munich and it was appealing to analyse this statistically). For the data analysis, the factorial variables needed special attention. A plain vanilla and ridge regression were not capable to give explainable outcomes. Likewise, the result of the lasso was contra-intuitive in the unclear handling of the factorial varibles. Finally, the group lasso where a factorial variable can be arranged together leads to an interpretable shrinkage conclusion, where all variables except the factorial are selected for the optimal hyperparemeter choice.

@YG: Please provide a conclusion of the inference section in one short sentence »»»»> 040f4f55df7177b5053c51be782d9dc3d31506f