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Lesson 15:
Multiple Linear Regression

SEARCH

RESOURCES

CONCEPTS

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8. Video: Dummy Variables

✓

9. Text: Dummy Variables

✓

10. Quiz: Dummy Variables

✓

11. Screencast: Dummy Variables

✓

12. Notebook + Quiz: Dummy Vari...

✓

13. Video: Dummy Variables Recap

✓

14. [Optional] Notebook + Quiz: O...

✓

15. Video: Potential Problems

✓

16. [Optional] Text: Linear Model ...

✓

17. Screencast: Multicollinearity & ...

✓

18. Video: Multicollinearity & VIFs

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The way that we add categorical variables into our multiple linear regression model is through dummy variables. The most common way dummy variables are added is through the encoding method, you create a new column for each **level** of a category (in this case, the new columns either hold a 1 or 0 depending on the presence of the level in the row).

NEIGHBORHOOD
A
B
C
B
A
A
A
C

A	B	C
1	0	0
0	1	0
0	0	1
0	1	0
1	0	0
1	0	0
1	0	0
0	0	1

When we add these dummy variables to our multiple linear regression models, we need to drop one of the columns. The column you drop is called the **baseline**. The coefficients you get from your multiple linear regression models are then an indication of how the end variable changes relative to the baseline level (the dropped level).