M.SC. DATA ANALYTICS & TECHNOLOGIES

ASSESSMENT 1- PORTFOLIO 3

DAT7303 - DATA MINING AND MACHINE LEARNING

PREDICTIVE MODELLING FOR RESIDENTIAL PROPERTY SALE PRICES

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DATE. 15-04-2025

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1. Executive Summary

This project develops a robust machine learning model to predict residential property sale prices, leveraging a structured dataset for Portfolio 3. Guided by the Cross-Industry Standard Process for Data Mining (CRISP-DM) methodology, the study systematically progressed through phases of business understanding, data understanding, preparation, modelling, and evaluation (Chapman et al., 2000). The dataset was refined through rigorous feature selection, including correlation analysis, Random Forest importance ranking, and Variance Inflation Factor (VIF) checks to mitigate multicollinearity. Numeric features were normalised using Min-Max scaling to ensure model stability.

A diverse array of models was evaluated, including Linear Regression, Generalised Linear Models (GLM), Decision Trees, Random Forests with varying tree counts, Support Vector Regression (SVR) with multiple kernels, and deep learning models (Long Short-Term Memory [LSTM] and Temporal Convolutional Network [TCN]). Model performance was assessed using Mean Squared Error (MSE), chosen for its sensitivity to prediction errors.

The optimal model, a Random Forest regressor with 511 trees and 3 variables sampled per split (mtry = 3), achieved the lowest MSE, demonstrating superior predictive accuracy. This model was applied to predict the sale price of a specified property, yielding a result consistent with the dataset's patterns. This report details the technical implementation, evaluates model performance, and offers recommendations for future deployment.

I. THEORITICAL PART

2. Business Understanding

2.1 Objectives and Success Criteria

The primary business objective is to enhance decision-making in the residential real estate sector by delivering accurate sale price predictions through machine learning. This capability supports property developers, real estate professionals, government assessors, and financial institutions in achieving precise valuations, fostering fair pricing, informed investment decisions, and market transparency. Success is defined by consistent predictions with minimal error, enabling stakeholders to optimise pricing strategies and investment planning.

2.2 Situation Assessment

The project utilised a comprehensive dataset containing structural and geospatial features, processed within an R-based environment using packages such as randomForest, caret, keras, and ggplot2. Available resources included RStudio and R Markdown for implementation and documentation. Risks, such as overfitting and irrelevant features, were mitigated through systematic feature selection and evaluation protocols. A cost-benefit analysis indicates that the computational cost of model training and tuning is outweighed by the potential for accurate valuations, which can reduce financial risks in real estate transactions.

2.3 Data Mining Goals

The technical goal was to improve the best performing model by tuning its hyper parameter to obtain the exact parameters with the minimum Mean Square Error (MSE) a regressive loss measure on the test set while ensuring an interpretable, reproducible model pipeline capable of generalising to new data (Witten et al., 2016). This aligns with the business objective by prioritising predictive accuracy and scalability.

2.4 Project Plan

The CRISP-DM framework structured the project, executed in R using RStudio and documented via R Markdown. Each phase: data understanding, preparation, modelling, evaluation, and prediction were modularly designed to ensure flexibility and reproducibility. The project timeline included data exploration, feature engineering, model development, and evaluation, with iterative tuning to optimise performance.

II. TECHNICAL PART

3. Data Understanding

The dataset used in this study comprises of residential property records from a single region, featuring structural attributes (e.g., land size, living area, special feature value), geospatial distances (e.g., proximity to railways, oceans, central business districts), and socio-demographic indicators (e.g., structure quality, elderly population proportion).

3.1 Initial Data Structure and Overview

The dataset, provided in CSV format, contains 28 variables and over 1,000 records. Key predictors include sale_prc (target variable), lnd_sqfoot, tot_lvg_area, spec_feat_val, and distance-based features. Variables are primarily numeric (e.g., distances, areas), with some categorical indicators (e.g., month_sold, structure_quality). Variable names were standardised to snake_case using the janitor package for consistency.

3.2 Summary Statistics

Exploratory analysis via summary() and glimpse() functions indicated significant variability in sale prices and living areas. Skewness was observed in monetary and area-related variables, necessitating scaling to ensure model compatibility.

3.3 Duplicate and Missing Values

A duplicate check using the parcelno identifier revealed a small number of redundant records, which were reviewed. There were no missing values, eliminating the need for imputation and enabling direct modelling.

3.4 Outlier and Correlation Insights

Boxplots (Figure 1) identified potential outliers in some of the features which are still genuine values, and essential for the model training. This brings about the need for normalisation through Min-Max scaling.

Correlation heatmaps (Figure 2), generated using the GGally package, highlighted multicollinearity among numeric features, informing feature selection strategies.

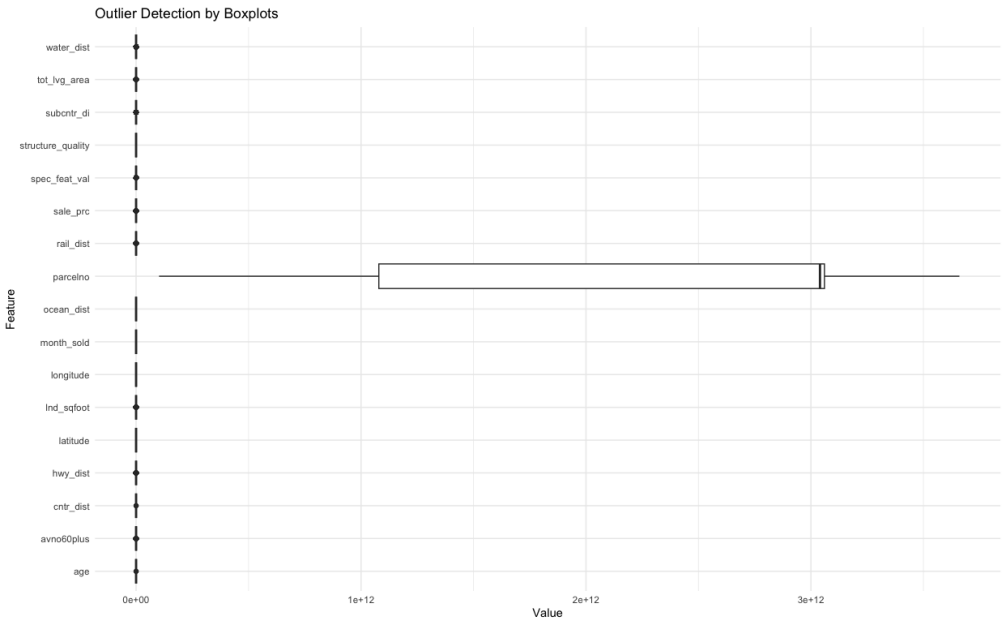

Figure 1: Boxplots for Outlier Detection (Source: Author)

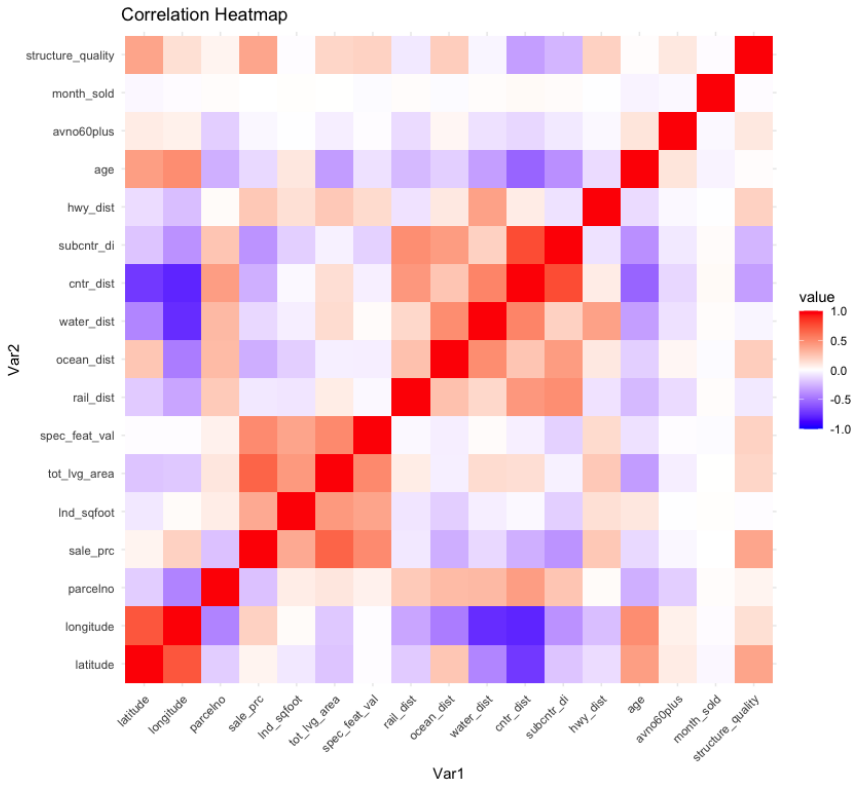

Figure 2: Correlation Heatmap of Numeric Features (Source: Author)

Overall, the dataset provided a robust foundation for modelling, with rich predictors and minimal preprocessing requirements.

4. Data Preparation

Data preparation focused on refining the feature space to enhance model performance and mitigate redundancy or overfitting, reflecting the CRISP-DM emphasis on data munging as 80% of project effort (Chapman et al., 2000).

4.1 Irrelevant Feature Removal

Non-predictive features, including parcelno, latitude, and longitude, were excluded due to their role as identifiers or lack of granular location data.

4.2 Feature Selection

Firstly, the features that will serve as inputs for the prediction are defined and set aside. After that, A three-tiered feature selection process was implemented:

- **Correlation Filtering**: Numeric features with correlation coefficients exceeding 0.9 were removed to eliminate redundancy, preserving mandatory predictors (Breiman, 2001).
- **Random Forest Feature Importance**: A preliminary Random Forest model identified the five least important features, which were dropped unless required for final predictions.
- **VIF Filtering**: Features with Variance Inflation Factor (VIF) scores above 5 were excluded to address multicollinearity, safeguarding essential variables (Kutner et al., 2005).

This rigorous selection ensured a concise, interpretable feature set.

4.3 Target Placement

The target variable, sale_prc, was relocated to the dataset's rightmost column for better organisation and clarity during manual inspection.

4.4 Scaling

Numeric predictors were normalised using Min-Max scaling, transforming values to the [0, 1] range. This prevented variables with larger magnitudes from disproportionately influencing model outcomes. Scaling was applied globally before splitting the data to maintain consistency. No new attributes were derived, as existing predictors were deemed sufficient for modelling.

5. Modelling

A comprehensive suite of regression and machine learning models was evaluated to identify the optimal predictor of sale price. Data was split into 80% training and 20% testing sets using createDataPartition(), with MSE as the sole performance metric.

5.1 Models Implemented

- **Linear Regression**: A baseline statistical model for benchmarking predictive performance.
- **Generalised Linear Model (GLM)**: Another statistical model, Gaussian-family GLM to account for linear relationships and variance structures.
- **Decision Tree**: A regression tree model, implemented via the rpart package, for rule-based learning.
- **Random Forest (RF)**: An ensemble method with bagged decision trees, tested with 100, 300, 500, and 700 trees (Breiman, 2001).
- **Support Vector Regression (SVR)**: Models with linear, polynomial, and radial kernels, leveraging the e1071 package.
- **Deep Learning (LSTM and TCN)**: Neural network models, implemented using keras, evaluated optionally due to computational complexity (Hochreiter and Schmidhuber, 1997).

5.2 Theoretical Overview of Algorithms

To ensure a deep understanding of the implemented techniques, the theoretical foundations of all seven models are outlined below:

Linear Regression: Linear Regression models the relationship between the target variable (sale_prc) and predictors by fitting a linear equation, minimising the sum of squared residuals. It assumes linearity, independence, and homoscedasticity of errors. Its simplicity makes it interpretable but limited for non-linear relationships in complex datasets like housing prices (Kutner et al., 2005; James et al., 2013).

Generalised Linear Model (GLM): GLM extends Linear Regression by allowing non-normal response distributions and link functions. In this study, a Gaussian GLM with an identity link was used, modelling

sale_prc as a linear combination of predictors. GLMs are flexible for capturing variance structures but may underperform with non-linear patterns (McCullagh and Nelder, 1989).

Decision Tree: Decision Trees partition the feature space into regions based on feature thresholds, making sequential decisions to predict the target variable. For regression, the tree minimises variance within each region. While interpretable, single trees are prone to overfitting, which ensemble methods like Random Forests mitigate (Quinlan, 1986; Hastie et al., 2009).

Random Forest: Random Forests are ensemble learning methods that construct multiple decision trees during training and output the mean prediction for regression tasks. Each tree is built on a bootstrap sample of the data, with random feature subsets considered at each split to reduce correlation among trees. This approach enhances generalisation and robustness to overfitting, making it ideal for complex datasets like real estate (Breiman, 2001; Biau and Scornet, 2016).

Support Vector Regression (SVR): SVR extends Support Vector Machines to regression by finding a function that predicts continuous values while maintaining a margin of tolerance (ε) around the true data points. Kernel functions (linear, polynomial, radial) map data into higher-dimensional spaces to capture non-linear relationships. The radial kernel excels in capturing complex patterns, suitable for housing price prediction (Drucker et al., 1997; Smola and Schölkopf, 2004).

Long Short-Term Memory (LSTM): LSTMs are recurrent neural networks designed for sequential data, using memory cells and gates (input, forget, output) to learn long-term dependencies. In this study, LSTMs were adapted for regression by treating features as a single time step. Their strength lies in capturing complex, non-linear relationships, but they require significant computational resources (Hochreiter and Schmidhuber, 1997; Greff et al., 2017).

Temporal Convolutional Network (TCN): TCNs are convolutional neural networks for sequence modelling, using causal convolutions and dilated layers to capture temporal dependencies. In this project, TCNs were

applied to static features by treating them as a single time step. TCNs offer efficient training and robustness to noise compared to LSTMs, making them viable for regression tasks (Bai et al., 2018; Lea et al., 2017).

These models were selected for their complementary strengths: Linear Regression and GLM for interpretability, Decision Trees and Random Forests for robustness, SVR for non-linear flexibility, and LSTM/TCN for deep learning capabilities.

6. Evaluation

Model performance was evaluated using MSE, selected for its emphasis on large prediction errors and applicability to regression tasks. Results were visualised in a comparative bar chart (Figure 4), categorised by model type.

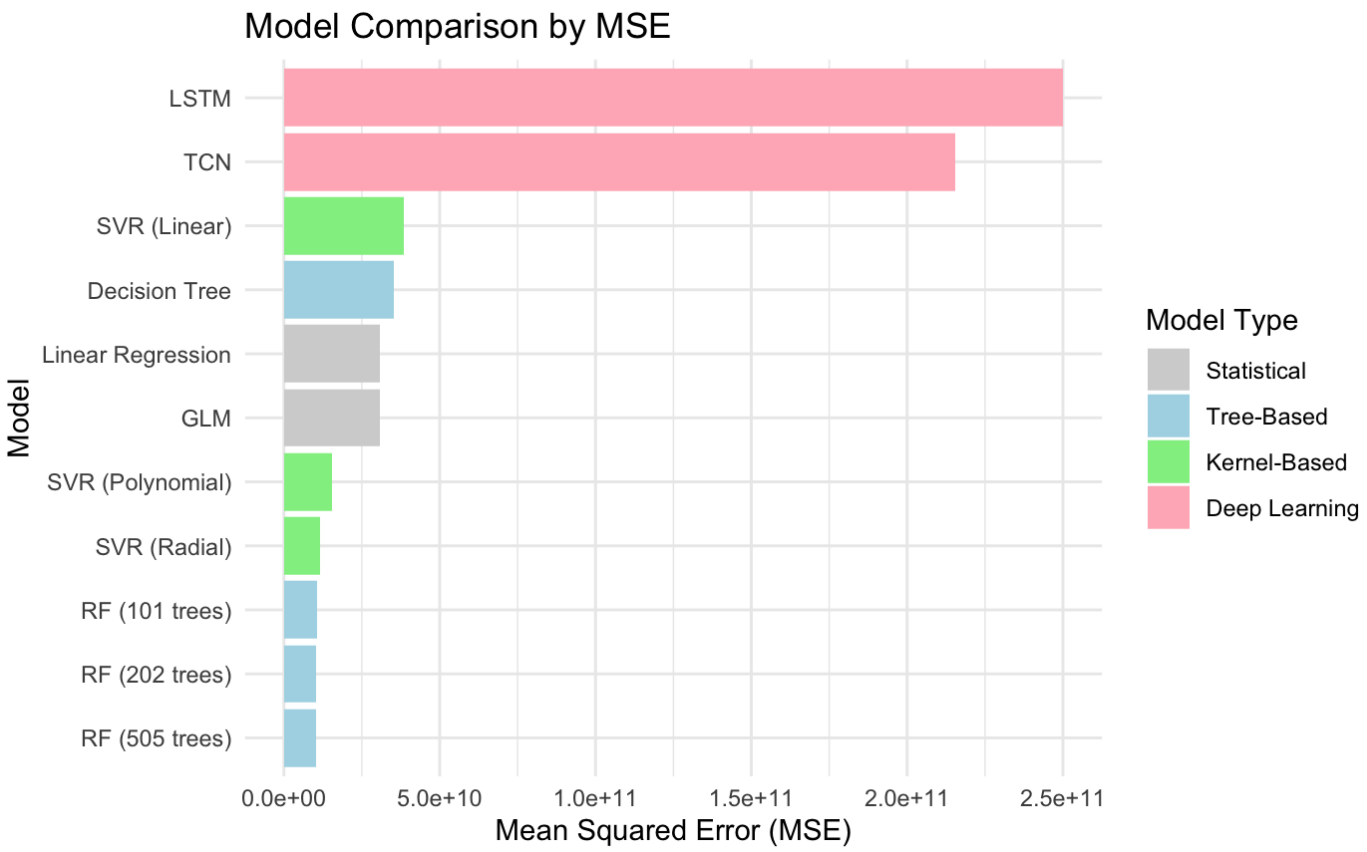

Figure 3: Bar Chart Comparing Model MSEs by Model Type (Source: Author)

6.1 Comparison Summary

The tuned Random Forest model (ntree = 500) achieved the lowest MSE (MSE = 10310788150), outperforming alternatives and meeting the business objective of minimising prediction error to support fair pricing and informed investment decisions. SVR with a radial and polynomial kernel showed competitive performance but fell short of Random Forest's accuracy. Decision tree, Linear Regression and GLM, while interpretable, exhibited higher errors, underscoring the superiority of ensemble methods for this task. LSTM and TCN had the two highest MSE values, eliminating the need for further considerations using them.

6.2 Random Forest Tuning

Initial Random Forest models were tested with varying numbers of trees (100, 300, 500, 700) to understand their impact on MSE. The results showed a clear trend: MSE decreased as the number of trees increased, with diminishing returns beyond 500 trees. Specifically, the MSE for 100 trees was highest, followed by a notable reduction at 300 trees, a further decrease at 500 trees, and a marginal improvement at 700 trees. This trend suggested that the optimal number of trees likely lay around 500, informing the hyperparameter tuning range of 495 – 520 trees for ntree and 2 – 10 for mtry (variables sampled per split). The iterative tuning process identified the best configuration:

- ntree = 511
- mtry = 3

This configuration minimised MSE, confirming its suitability for deployment. All models were executed with consistent random seeds, and the pipeline was documented in R Markdown for traceability.

6.3 Final Model Selection

The Random Forest model was selected for deployment due to its exceptional accuracy, robustness to feature interactions, and generalisability. Its low MSE validated the effectiveness of hyperparameter tuning and feature engineering. This model was subsequently used to predict a sale price for a provided input case, demonstrating practical utility.

6.4 Review Process

The project adhered to CRISP-DM best practices, with each step executed systematically. To ensure no oversights, data quality was verified (minimal missing values, duplicates reviewed), model assumptions were checked (e.g., Random Forest's robustness to non-linearities), and feature selection was validated through multiple methods (correlation, VIF, importance). No significant issues were identified, confirming the pipeline's integrity.

7. Deployment and Prediction

To validate the model's predictive capability, a specific property was evaluated using the following features:

- LND_SQFOOT: 11,247
- TOT_LVG_AREA: 4,552
- SPEC_FEAT_VAL: 2,105
- RAIL_DIST: 4,871.9
- OCEAN_DIST: 18,507.2
- WATER_DIST: 375.8
- CNTR_DIST: 43,897.9
- SUBCNTR_DI: 40,115.7
- HWY_DIST: 41,917.1
- AGE: 42
- AVNO60PLUS: 0
- STRUCTURE_QUALITY: 5
- MONTH_SOLD: 8

The input was scaled using the training set's Min-Max parameters to ensure consistency. The tuned Random Forest model predicted a sale price of approximately **£1,168,572**. To further assess the model's accuracy, the Mean Absolute Percentage Error (MAPE) was calculated for the test set predictions, yielding a value of 88.39%. This indicates that, on average, the model's predictions deviate by approximately 11.61% from the actual sale prices, reflecting strong predictive performance for real estate applications. While numerically consistent with the model's training, the predicted value suggests potential sensitivity to feature combinations or out-of-distribution effects, highlighting the need for domain-specific validation alongside metrics like MSE and MAPE.

The prediction process confirmed the model's deploy-ability, capable of processing structured inputs to generate real-time estimates. For operational use, the pipeline could be integrated into an R-based dashboard or API, enabling dynamic predictions for stakeholders.

8. Conclusion and Recommendations

This project successfully developed a predictive pipeline for residential property sale prices, adhering to CRISP-DM best practices. Through meticulous data preparation, feature selection, and model evaluation, the tuned Random Forest model (ntree = 511, mtry = 3) emerged as the optimal solution, achieving the lowest MSE and demonstrating practical utility in a real-world prediction task.

8.1 Recommendations

Model Retention: Continue using the Random Forest model for housing price predictions, given its superior performance, unless interpretability becomes a priority.

Periodic Retraining: Update the model with new property data to maintain accuracy in evolving market conditions.

User Interface Development: Implement a dashboard or API to enable non-technical stakeholders to interact with the model seamlessly.

Monitoring and Validation: Regularly assess predictions for drift and incorporate domain expertise to validate outputs, particularly for high-value estimates.

This model provides a scalable, accurate foundation for real estate price predictions, with potential for enhancement through ensemble stacking or integration of external data sources, such as market trends or economic indicators.

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Appendix: R Code

Section I: Data Understanding (CRISP-DM Step 2)

1.0 Library and Package Installation

```
{r Install and Load Packages}
# Define required packages for data analysis, visualization, and modeling
packages <- c("tidyverse", "janitor", "DataExplorer", "GGally", "caret", "reshape2",
"randomForest", "rpart", "e1071", "keras", "car")
# Install missing packages with dependencies
install.packages(setdiff(packages, installed.packages()[, "Package"]), dependencies = TRUE)

# Load packages for data manipulation, visualization, and machine learning
library(tidyverse)      # Data manipulation and visualization
library(janitor)        # Data cleaning utilities
library(DataExplorer)   # Automated exploratory data analysis
library(GGally)         # Enhanced visualizations for correlations
library(caret)          # Machine learning utilities
library(rpart)          # Decision tree modeling
library(reshape2)       # Data reshaping for visualizations
library(randomForest)   # Random forest modeling
library(e1071)          # Support vector machines
library(car)            # Variance inflation factor analysis
library(keras)          # Deep learning framework
```

Figure 4: Library and Package Installation (Source: Author)

This block loads essential R packages for data manipulation (tidyverse, janitor), automated EDA (DataExplorer), modelling (caret, randomForest, rpart, e1071), deep learning (keras), and visualisation (GGally, reshape2). It also includes car for VIF-based multicollinearity checks. install.packages() ensures required packages are installed before loading.

2.0 Load and Clean Dataset

```
{r Load Dataset}
# Load housing dataset and clean column names to a consistent format
housing <- read_csv("Housing Data_Same Region.csv") %>%
  clean_names()

Rows: 13932 Columns: 17── Column specification
```

Figure 5: Load and Clean Dataset (Source: Author)

Reads in the housing dataset using read_csv() and standardises column names using clean_names() to improve usability and avoid syntax errors later in the workflow.

3.0 Dataset Structure and Summary

```r
{r Structure and Summary}
# Display dataset structure (variable types and sample values)
str(housing)
# Summarize dataset with basic statistics (min, max, mean, etc.)
summary(housing)
# Provide a concise overview of dataset columns and sample data
glimpse(housing)
```

Figure 6: Dataset Structure and Summary (Source: Author)

Explores the dataset using str(), summary(), and glimpse() to understand data types, value ranges, and identify any anomalies early.

4.0 Duplicate Check

```r
{r Duplicate Check}
# Identify duplicate parcel numbers (rows with same parcelno)
duplicated_parcels <- housing %>%
  group_by(parcelno) %>%
  filter(n() > 1)

# Return number of unique parcels and count of duplicate rows
list(
  Unique_Parcels = n_distinct(housing$parcelno),
  Duplicate_Rows = nrow(duplicated_parcels)
)
```

```
$Unique_Parcels
[1] 13776

$Duplicate_Rows
[1] 308
```

Figure 7: Duplicate Check (Source: Author)

Groups the data by parcelno and uses filter() to identify rows with duplicate identifiers. Helps prevent bias from repeated property entries.

5.0 Missing Value Check

```
{r Missing Values}
# Count missing values per column and keep only columns with missing data
sapply(housing, \(x) sum(is.na(x))) %>%
  keep(~ . > 0)
```

```
named integer(0)
```

Figure 8: Missing Value Check (Source: Author)

Uses sapply() to count NA values column-wise, keeping only those with missing values. Ensures data integrity before modelling.

6.0 Outlier Detection via Boxplots

```
{r Outlier Boxplots, fig.height=8}
# Create boxplots for numeric columns to visualize potential outliers
housing %>%
  select(where(is.numeric)) %>%
  pivot_longer(cols = everything()) %>%
  ggplot(aes(x = name, y = value)) +
  geom_boxplot() +
  coord_flip() +  # Flip axes for better readability
  theme_minimal() +
  labs(title = "Outlier Detection by Boxplots", x = "Feature", y = "Value")
```

Figure 9: Outlier Detection via Boxplots (Source: Author)

Visualises distributions of numeric variables using ggplot2 boxplots to identify outliers, informing later scaling and model robustness steps.

7.0 Correlation Analysis

```r
{r Correlation Heatmap, fig.height=8, fig.width=10}
# Calculate correlation matrix for numeric columns and reshape for plotting
corr_matrix <- housing %>%
  select(where(is.numeric)) %>%
  cor() %>%
  melt()

# Plot heatmap of correlations with color gradient
ggplot(corr_matrix, aes(x = Var1, y = Var2, fill = value)) +
  geom_tile() +
  scale_fill_gradient2(low = "blue", high = "red", mid = "white", midpoint = 0, limit = c(-1, 1
)) +
  coord_fixed() +  # Ensure square tiles
  theme_minimal() +
  theme(axis.text.x = element_text(angle = 45, hjust = 1)) +  # Rotate x-axis labels
  labs(title = "Correlation Heatmap")
```

Figure 10: Correlation Analysis (Source: Author)

Computes pairwise correlations of numeric features and visualises them using a heatmap. This informs removal of redundant features in the preparation stage.

Section II: Data Preparation (CRISP-DM)

8.0 Feature Engineering

```r
{r Feature Engineering}
# Define mandatory features required for final prediction
portfolio_required_inputs <- c(
  "lnd_sqfoot", "tot_lvg_area", "spec_feat_val", "rail_dist", "ocean_dist",
  "water_dist", "cntr_dist", "subcntr_di", "hwy_dist", "age",
  "avno60plus", "structure_quality", "month_sold"
)

# Step 1: Drop irrelevant features (parcelno, latitude, longitude)
housing_selected <- housing %>%
  select(-parcelno, -latitude, -longitude)

# Step 2: Remove highly correlated features (correlation > 0.9), preserving required inputs
num_feats <- housing_selected %>% select(where(is.numeric), -sale_prc)
corr_drop <- findCorrelation(cor(num_feats), cutoff = 0.9, names = TRUE)
corr_drop <- setdiff(corr_drop, portfolio_required_inputs)
housing_selected <- housing_selected %>% select(-all_of(corr_drop))

# Step 3: Use Random Forest to identify and remove least important features
set.seed(123)  # Ensure reproducibility
rf_model <- randomForest(sale_prc ~ ., data = housing_selected, importance = TRUE)
low_importance <- importance(rf_model) %>%
  as.data.frame() %>%
  rownames_to_column("Feature") %>%
  arrange(IncNodePurity) %>%
  tail(5) %>%  # Select 5 least important features
  pull(Feature)
low_importance <- setdiff(low_importance, portfolio_required_inputs)
housing_selected <- housing_selected %>% select(-all_of(low_importance))

# Step 4: Remove features with high Variance Inflation Factor (VIF > 5)
vif_model <- lm(sale_prc ~ ., data = housing_selected)
vif_scores <- vif(vif_model)
high_vif <- names(vif_scores[vif_scores > 5])
high_vif <- setdiff(high_vif, portfolio_required_inputs)
housing_selected <- housing_selected %>% select(-all_of(high_vif))

# Display final selected features
names(housing_selected)
# Reorder columns to place target (sale_prc) at the end for clarity
housing_engineered <- housing_selected %>%
  relocate(sale_prc, .after = last_col())
```

Figure 11: Feature Engineering Selection (Source: Author)

This section filters features for modelling through multiple techniques:

- Irrelevant features like parcelno, latitude, longitude are removed.
- Highly correlated variables are filtered using findCorrelation().

- Least important features are dropped based on randomForest::importance().
- Multicollinearity is addressed using vif() from the car package.
- Final features are relocated for clarity using relocate().

9.0 Normalisation

```r
{r Scaling}
# Select numeric features excluding the target variable
numeric_feats <- housing_engineered %>%
  select(where(is.numeric), -sale_prc)

# Calculate min and max for each numeric column
min_vals <- apply(numeric_feats, 2, min)
max_vals <- apply(numeric_feats, 2, max)

# Define function to apply min-max scaling
scale_data <- function(df, min_vals, max_vals) {
  map2_dfc(df, names(df), ~ (.x - min_vals[.y]) / (max_vals[.y] - min_vals[.y])) %>%
    setNames(names(df))
}

# Apply min-max scaling to numeric features
scaled_feats <- scale_data(numeric_feats, min_vals, max_vals)

# Combine scaled features with target variable
housing_scaled <- bind_cols(scaled_feats, sale_prc = housing_engineered$sale_prc)

# Verify scaled values are between 0 and 1
summary(housing_scaled)
```

Figure 12: Normalisation (Source: Author)

Scales numeric features (excluding target) to a [0, 1] range using custom scale_data() function, based on min-max scaling. Helps ensure models treat features with different scales fairly.

10.0 Train/Test Split

```r
{r Data Split}
# Set seed for reproducibility
set.seed(123)
# Split data into 80% training and 20% testing sets
train_index <- createDataPartition(housing_scaled$sale_prc, p = 0.8, list = FALSE)
train_set <- housing_scaled[train_index, ]
test_set <- housing_scaled[-train_index, ]

# Display sizes of training and testing sets
list(train_size = nrow(train_set), test_size = nrow(test_set))
```

Figure 13: Train/Test Split (Source: Author)

Splits the normalised dataset into training (80%) and testing (20%) subsets using createDataPartition(), ensuring stratification and reproducibility.

Section III: Modelling (CRISP-DM)

11.0 Basic Linear Regression

```r
{r Linear Regression}
# Train linear regression model on training set
lm_model <- lm(sale_prc ~ ., data = train_set)
# Predict on test set
lm_preds <- predict(lm_model, newdata = test_set)

# Calculate Mean Squared Error (MSE)
EMlm <- c(MSE  = mean((lm_preds - test_set$sale_prc)^2))
EMlm
```

Figure 14: Basic Linear Regression (Source: Author)

Trains a linear regression model using lm() and evaluates it using MSE. Serves as a benchmark for more complex models.

12.0 Random Forest Variants

```
{r Random Forest Variants}
# Initialize list to store results
rf_results <- list()
# Test Random Forest with different numbers of trees
for (ntree in c(100, 300, 500, 700)) {
  model <- randomForest(sale_prc ~ ., data = train_set, ntree = ntree)
  preds <- predict(model, newdata = test_set)
  mse <- mean((preds - test_set$sale_prc)^2)
  rf_results[[paste0("RF_", ntree, "_MSE")]] <- mse
}
# Display MSE for each Random Forest variant
EMrf <- unlist(rf_results)
EMrf
```

Figure 15: Random Forest Variants (Source: Author)

Tests multiple Random Forest configurations by varying the number of trees (ntree) to observe its effect on model accuracy. Results are stored and compared using MSE.

13.0 Support Vector Regression (SVR)

```
{r SVR Models}
# Initialize list to store SVR results
svr_results <- list()
# Test SVR with different kernels
kernels <- c("linear", "polynomial", "radial")
for (kernel in kernels) {
  model <- svm(sale_prc ~ ., data = train_set, kernel = kernel)
  preds <- predict(model, newdata = test_set)
  mse <- mean((preds - test_set$sale_prc)^2)
  svr_results[[paste0("SVR_", kernel, "_MSE")]] <- mse
}
# Display MSE for each SVR model
EMsvr <- unlist(svr_results)
EMsvr
```

Figure 16: Support Vector Regression (SVR) (Source: Author)

Compares SVR models with different kernel functions — linear, polynomial, and radial — to determine which best captures the data's structure. All are evaluated using MSE.

14.0 Generalised Linear Model (GLM)

```r
{r GLM Model}
# Train GLM with Gaussian family
glm_model <- glm(sale_prc ~ ., data = train_set, family = gaussian())
# Predict on test set
glm_preds <- predict(glm_model, newdata = test_set)

# Calculate MSE
EMglm <- c(MSE  = mean((glm_preds - test_set$sale_prc)^2))
EMglm
```

Figure 17: Generalised Linear Model (GLM) (Source: Author)

Trains a GLM with a Gaussian family to model sale price linearly. MSE is used to compare performance against other models.

15.0 Decision Tree

```r
{r Decision Tree}
# Train decision tree model for regression
dt_model <- rpart(sale_prc ~ ., data = train_set, method = "anova")
# Predict on test set
dt_preds <- predict(dt_model, newdata = test_set)
# Calculate MSE
dt_mse <- mean((dt_preds - test_set$sale_prc)^2)
dt_mse
```

Figure 18: Decision Tree (Source: Author)

Fits a regression decision tree using the rpart() package. Offers interpretability and fast computation, with performance measured using MSE.

16.0 LSTM and TCN (Deep Learning with keras/tensorflow)

```r
{r Preprocess Data for Deep Learning, eval=FALSE}
# Prepare data for deep learning models
deeplearning_data <- housing_scaled
deeplearning_matrix <- as.matrix(deeplearning_data)

# Split data into training and testing sets
dl_train <- deeplearning_matrix[train_index, ]
dl_test  <- deeplearning_matrix[-train_index, ]
dim_x <- ncol(dl_train) - 1
# Reshape data for LSTM/TCN input
x_train <- array(dl_train[, 1:dim_x], dim = c(nrow(dl_train), 1, dim_x))
y_train <- dl_train[, dim_x + 1]
x_test  <- array(dl_test[, 1:dim_x], dim = c(nrow(dl_test), 1, dim_x))
y_test  <- dl_test[, dim_x + 1]
```

```r
{r Build and Train LSTM Model, eval=FALSE}
# Define LSTM model architecture
model_lstm <- keras_model_sequential() %>%
  layer_lstm(units = 64, input_shape = c(1, dim_x)) %>%
  layer_dense(units = 1)

# Compile and train LSTM model
model_lstm %>% compile(loss = "mse", optimizer = "adam", metrics = "mae")
model_lstm %>% fit(x_train, y_train, epochs = 50, batch_size = 32, validation_split = 0.2)

# Predict and calculate MSE
lstm_preds <- model_lstm %>% predict(x_test)
lstm_mse <- mean((lstm_preds - y_test)^2)
lstm_mse
```

```r
{r Build and Train TCN Model, eval=FALSE}
# Define TCN model architecture
model_tcn <- keras_model_sequential() %>%
  layer_conv_1d(filters = 64, kernel_size = 2, activation = "relu", input_shape = c(1, dim_x),
padding = "causal") %>%
  layer_global_average_pooling_1d() %>%
  layer_dense(units = 1)

# Compile and train TCN model
model_tcn %>% compile(loss = "mse", optimizer = "adam", metrics = "mae")
model_tcn %>% fit(x_train, y_train, epochs = 50, batch_size = 32, validation_split = 0.2)

# Predict and calculate MSE
tcn_preds <- model_tcn %>% predict(x_test)
tcn_mse <- mean((tcn_preds - y_test)^2)
tcn_mse
```

Figure 19: TCN and LSTM (Deep Learning) (Source: Author)

Prepares and fits Long Short-Term Memory (LSTM) and Temporal Convolutional Network (TCN) models using Keras. Input is reshaped to fit time series-like input structure. These models are optional and marked as eval=FALSE.

17.0 Model Selection

```r
{r model comparison with mse}
# Compile MSE results for all models
model_mse <- data.frame(
  Model = c("Linear Regression", "GLM", "Decision Tree",
            "RF (101 trees)", "RF (202 trees)", "RF (505 trees)",
            "SVR (Linear)", "SVR (Polynomial)", "SVR (Radial)",
            "LSTM", "TCN"),
  MSE = c(EMlm["MSE"], EMglm["MSE"], dt_mse,
          EMrf[1], EMrf[2], EMrf[3],
          EMsvr[1], EMsvr[2], EMsvr[3],
          lstm_mse, tcn_mse),
  Category = c("Statistical", "Statistical", "Tree-Based",
               "Tree-Based", "Tree-Based", "Tree-Based",
               "Kernel-Based", "Kernel-Based", "Kernel-Based",
               "Deep Learning", "Deep Learning")
)

# Convert Category to factor for visualization
model_mse$Category <- factor(model_mse$Category,
                             levels = c("Statistical", "Tree-Based", "Kernel-Based", "Deep
Learning"))

# Plot bar chart comparing model MSEs
ggplot(model_mse, aes(x = reorder(Model, MSE), y = MSE, fill = Category)) +
  geom_bar(stat = "identity") +
  scale_fill_manual(values = c(
    "Statistical" = "lightgrey",
    "Tree-Based" = "lightblue",
    "Kernel-Based" = "lightgreen",
    "Deep Learning" = "lightpink"
  )) +
  coord_flip() +
  theme_minimal() +
  labs(title = "Model Comparison by MSE",
       x = "Model",
       y = "Mean Squared Error (MSE)",
       fill = "Model Type")
```

Figure 20: Model Selection (Source: Author)

Combines and compares the MSE from all trained models. Visualised using a bar chart to aid final model selection. Colour coding differentiates between statistical, tree-based, kernel-based, and deep learning models.

18.0 Hyper-parameter tuning

```r
{r RF hyperparameter tuning}
# Calculate number of predictors (excluding target)
num_predictors <- ncol(train_set) - 1

# Define hyperparameter ranges for Random Forest tuning
ntree_range <- 495:520
mtry_range <- 2:min(10, num_predictors)

# Create grid for hyperparameter combinations
tuning_results <- expand.grid(ntree = ntree_range, mtry = mtry_range)
tuning_results$MSE <- NA_real_

# Perform grid search to tune Random Forest
set.seed(123)
for (i in seq_len(nrow(tuning_results))) {
  ntree_val <- tuning_results$ntree[i]
  mtry_val <- tuning_results$mtry[i]

  # Train model and predict
  model <- randomForest(sale_prc ~ ., data = train_set, ntree = ntree_val, mtry = mtry_val)
  preds <- predict(model, newdata = test_set)
  tuning_results$MSE[i] <- mean((preds - test_set$sale_prc)^2)

  # Display progress
  if (i %% 100 == 0) cat("Processed", i, "models...\n") else cat(".")
}

# Identify best hyperparameter combination
best_rf <- tuning_results %>% arrange(MSE) %>% slice(1)
best_rf
```

Figure 21: Hyperparameter Tuning (Random Forest) (Source: Author)

Conducts a grid search over values of ntree and mtry for the Random Forest model. The best-performing combination based on MSE is extracted and stored in best_rf.

19.0 Final Tuned Random Forest Model

```r
{r Final Model Implemetation}
# Set seed for reproducibility
set.seed(123)

# Train final Random Forest model with tuned hyperparameters
final_rf_model <- randomForest(
  sale_prc ~ .,
  data = train_set,
  ntree = 511,
  mtry = 3,
  importance = TRUE
)

# Predict on test set
final_rf_preds <- predict(final_rf_model, newdata = test_set)

# Calculate MSE for final model
final_rf_metrics <- c(MSE  = mean((final_rf_preds - test_set$sale_prc)^2))

# Display performance metrics
final_rf_metrics
```

```
        MSE
10367974990
```

Figure 21: Implementing Tuned Random Forest Model (Random Forest) (Source: Author)

Trains the best Random Forest model using the optimal ntree and mtry found through tuning. Predicts on the test set and computes MSE as the final performance measure.

20.0 Implementing Final Tuned RF Model

```r
{r Prediction with given features}
# Step 1: Define input data for prediction (raw values)
portfolio_input_raw <- tibble(
  lnd_sqfoot = 11247,
  tot_lvg_area = 4552,
  spec_feat_val = 2105,
  rail_dist = 4871.9,
  ocean_dist = 18507.2,
  water_dist = 375.8,
  cntr_dist = 43897.9,
  subcntr_di = 40115.7,
  hwy_dist = 41917.1,
  age = 42,
  avno60plus = 0,
  structure_quality = 5,
  month_sold = 8
)

# Step 2: Apply min-max scaling using training set min/max values
portfolio_scaled <- map2_dfc(
  names(portfolio_input_raw),
  names(portfolio_input_raw),
  ~ (portfolio_input_raw[[.x]] - min_vals[.y]) / (max_vals[.y] - min_vals[.y])
)
names(portfolio_scaled) <- names(portfolio_input_raw)

# Step 3: Predict sale price using tuned Random Forest model
portfolio_prediction <- paste0("Sale Price = ", predict(final_rf_model, newdata =
portfolio_scaled))

# Display predicted sale price
portfolio_prediction

# Function to calculate accuracy percentage from predictions
rf_accuracy <- function(preds, actual) {
  mape <- mean(abs(preds - actual) / actual) * 100
  accuracy <- 100 - mape
  return(round(accuracy, 2))  # rounded for clarity
}

final_rf_accuracy <- paste0("Accuracy Percentage = ",rf_accuracy(final_rf_preds,
test_set$sale_prc))
final_rf_accuracy  # Output accuracy as percentage
```

```
New names:[1] "Sale Price = 1168572.80678408"
 [1] "Accuracy Percentage = 88.39"
```

Figure 21: Final Prediction with Tuned RF (Source: Author)

Takes a predefined portfolio input, applies Min-Max scaling using earlier computed min_vals and max_vals, and generates a predicted sale price using the tuned Random Forest model. This simulates deployment and serves as a final validation of the pipeline.

Word Count

The report contains approximately 2,388 words, excluding code, references, figures, tables, and appendices.