



HOUSING: PRICE PREDICTION

Submitted by:
Mahaboob Basha Shaik

ACKNOWLEDGMENT

I would like to express my special thanks of gratitude to my mentor Mr. Shubham Yadav as well as Fliprobo for gave me the golden opportunity to do this wonderful project on the topic price prediction for housing, which also helped me in doing a lot of Research and I came to know about so many new things I am thankful to them. Few research papers, reference link below also helped me in completion of project:

https://www.cse.ust.hk/~rossiter/independent_studies_projects/real_estate_prediction/real_estate_report.pdf

https://www.researchgate.net/publication/340939997_House_Price_Prediction_Using_Various_Regression_Techniques

<https://towardsdatascience.com/data-visualization-using-matplotlib-16f1aae5ce70>

<https://towardsdatascience.com/machine-learning-with-python-regression-complete-tutorial-47268e546cea>

INTRODUCTION

- **Business Problem Framing**

Houses are one of the necessary needs of each person around the globe and therefore housing and real estate market is one of the markets which is one of the major contributors in the world's economy. It is a very large market and there are various companies working in the domain. Data science comes as a very important tool to solve problems in the domain to help the companies increase their overall revenue, profits, improving their marketing strategies and focusing on changing trends in house sales and purchases. Predictive modelling, Market mix modelling, recommendation systems are some of the machine learning techniques used for achieving the business goals for housing companies. Our problem is related to one such housing company.

A US-based housing company named Surprise Housing has decided to enter the Australian market. The company uses data analytics to purchase houses at a price below their actual values and flip them at a higher price.

The company is looking at prospective properties to buy houses to enter the market. You are required to build a model using Machine Learning to predict the actual value of the prospective properties and decide whether to invest in them or not.

- **Conceptual Background of the Domain Problem**

House price forecasting is an important topic of real estate. The literature attempts to derive useful knowledge from historical data of property markets. Machine learning techniques are applied to analyse historical property transactions in India to discover useful models for house buyers and sellers. Revealed is the high discrepancy between house prices in the most expensive and most affordable suburbs in the city of Australia. Moreover, experiments demonstrate that the Multiple Linear Regression that is based on mean squared error measurement is a competitive approach.

- **Review of Literature**

Machine learning is a form of artificial intelligence which compose available computers with the efficiency to be trained without being veraciously programmed. Machine learning interest on the extensions of computer programs which is capable enough to modify when unprotected to new-fangled data.

Machine learning has many applications out of which one of the applications is prediction of real estate. The real estate market is one of the most competitive in terms of pricing and same tends to be vary significantly based on lots of factor, forecasting property price is an important modules in decision making for both the buyers and investors in supporting budget allocation, finding property finding stratagems and determining suitable policies hence it becomes one of the prime fields to apply the concepts of machine learning to optimize and predict the prices with high accuracy.

- **Motivation for the Problem Undertaken**

Being extremely interested in everything having a relation with the Machine Learning, the independent project was a great occasion to give me the time to learn and confirm my interest for this field. The fact that we can make estimations, predictions and give the ability for machines to learn by themselves is both powerful and limitless in term of application possibilities. We can use Machine Learning in Finance, Retail, Medicine, almost everywhere. That is why I decided to conduct my project around the Machine Learning.

Analytical Problem Framing

- Mathematical/ Analytical Modeling of the Problem
 - a. Pandas: The Python Data Analysis Library is used for storing the data in data frames and manipulation.
 - b. NumPy: Python scientific computing library.
 - c. Matplotlib: Python plotting library.
 - d. Seaborn: Statistical data visualization based on matplotlib.
 - e. Scikit-learn: Sklearn is a machine learning library for Python.
 - f. SciPy. Stats: Provides a number of probability distributions and statistical functions.
- Data Sources and their formats

For the same purpose, the company has collected a data set from the sale of houses in Australia. The data is provided in the CSV file. Please find the data description below:

```
1 #Columns With Object Data Type
2 df.select_dtypes(include=['object']).columns

Index(['MSZoning', 'Street', 'Alley', 'LotShape', 'LandContour', 'Utilities',
       'LotConfig', 'LandSlope', 'Neighborhood', 'Condition1', 'Condition2',
       'BldgType', 'HouseStyle', 'RoofStyle', 'RoofMatl', 'Exterior1st',
       'Exterior2nd', 'MasVnrType', 'ExterQual', 'ExterCond', 'Foundation',
       'BsmtQual', 'BsmtCond', 'BsmtExposure', 'BsmtFinType1', 'BsmtFinType2',
       'Heating', 'HeatingQC', 'CentralAir', 'Electrical', 'KitchenQual',
       'Functional', 'FireplaceQu', 'GarageType', 'GarageFinish', 'GarageQual',
       'GarageCond', 'PavedDrive', 'PoolQC', 'Fence', 'MiscFeature',
       'SaleType', 'SaleCondition'],
      dtype='object')

1 #Columns With Int Data Type
2 df.select_dtypes(include=['int64']).columns

Index(['Id', 'MSSubClass', 'LotArea', 'OverallQual', 'OverallCond',
       'YearBuilt', 'YearRemodAdd', 'BsmtFinSF1', 'BsmtFinSF2', 'BsmtUnfSF',
       'TotalBsmtSF', '1stFlrSF', '2ndFlrSF', 'LowQualFinSF', 'GrLivArea',
       'BsmtFullBath', 'BsmtHalfBath', 'FullBath', 'HalfBath', 'BedroomAbvGr',
       'KitchenAbvGr', 'TotRmsAbvGrd', 'Fireplaces', 'GarageCars',
       'GarageArea', 'WoodDeckSF', 'OpenPorchSF', 'EnclosedPorch', '3SsnPorch',
       'ScreenPorch', 'PoolArea', 'MiscVal', 'MoSold', 'YrSold', 'SalePrice'],
      dtype='object')
```

	Column Type	Count
0	int64	35
1	float64	3
2	object	43

- Data Pre-processing

Cleaning is the first module called to clean the item and verify that all the information in it correspond to the pattern used to extract it. For instance, suppose that we have several estates on a given web page. Each estate is presented using images and many

Data exploration is the first step in data analysis and typically involves summarizing the main characteristics of a data set, including its size, accuracy, initial patterns in the data and other attributes. It is commonly conducted by data analysts using visual analytics tools, but it can also be done in more advanced statistical software, Python. Before it can conduct analysis on data collected by multiple data sources and stored in data warehouses, an organization must know how many cases are in a data set, what variables are included, how many missing values there are and what general hypotheses the data is likely to support. An initial exploration of the data set can help answer these questions by familiarizing analysts with the data with which they are working.

[illegible]

- **Hardware and Software Requirements and Tools Used**
 - a. **Pandas:** The Python Data Analysis Library is used for storing the data in data frames and manipulation.
 - b. **NumPy:** Python scientific computing library.
 - c. **Matplotlib:** Python plotting library.
 - d. **Seaborn:** Statistical data visualization based on matplotlib.
 - e. **Scikit-learn:** Sklearn is a machine learning library for Python.
 - f. **SciPy. Stats:** Provides a number of probability distributions and statistical functions.

Model/s Development and Evaluation

- Identification of possible problem-solving approaches (methods)
 - a. Yeo-Johnson is used to scaling of the data.
 - b. Pandas: The Python Data Analysis Library is used for storing the data in data frames and manipulation.
 - c. NumPy: Python scientific computing library.
 - d. Matplotlib: Python plotting library.
 - e. Seaborn: Statistical data visualization based on matplotlib.
 - f. Scikit-learn: Sklearn is a machine learning library for Python.
 - g. SciPy. Stats: Provides a number of probability distributions and statistical functions.
 - h. Decision Tree, Random Forest, SVR, Lasso, Ridge Model were uses to predict the model.
 - i. Cross Validation and R2 Score were used to identify the models.
- Testing of Identified Approaches (Algorithms)

X – Variable:

```
In [113]: 1 df.columns
Out[113]: Index(['MSSubClass', 'MSZoning', 'LotFrontage', 'LotArea', 'LotShape',
               'LotConfig', 'Neighborhood', 'HouseStyle', 'OverallQual', 'OverallCond',
               'RoofStyle', 'Exterior1st', 'Exterior2nd', 'MasVnrType', 'MasVnrArea',
               'ExterQual', 'Foundation', 'BsmtQual', 'BsmtExposure', 'BsmtFinType1',
               'BsmtFinSF1', 'BsmtFinSF2', 'BsmtUnfSF', 'TotalBsmtSF', 'HeatingQC',
               '1stFlrSF', '2ndFlrSF', 'LowQualFinSF', 'GrLivArea', 'BsmtFullBath',
               'FullBath', 'HalfBath', 'BedroomAbvGr', 'KitchenQual', 'TotRmsAbvGrd',
               'Fireplaces', 'FireplaceQu', 'GarageType', 'GarageFinish', 'GarageCars',
               'GarageArea', 'WoodDeckSF', 'OpenPorchSF', 'EnclosedPorch', '3SsnPorch',
               'ScreenPorch', 'PoolArea', 'MiscVal', 'MoSold',
               'ConstructionAge', 'RemodelAge', 'GarageAge', 'TimeSinceSold'],
              dtype='object')
```

Y-Variable:

```
In [48]: 1 y = df.SalePrice
         2 y.head()
Out[48]: 0    357.770876
         1    517.687164
         2    519.413130
         3    435.889894
         4    463.680925
         Name: SalePrice, dtype: float64
```

Decision Tree, Random Forest, SVR, Lasso, Ridge Model were uses to predict the model.

- Run and evaluate selected models:
 - a) Lasso Model


```
In [53]: 1 x_train,x_test,y_train,y_test=train_test_split(x_t,y,test_size=0.20,random_state=175) #Random state = 20
```

Regularisation - Lasso

```
In [54]: 1 from sklearn.linear_model import Lasso
2 parameters ={'alpha': [.00001,.0001,.001,.01,.1,1,10], 'random_state':list(range(0,10))}
3 ls=Lasso()
4 clf=GridSearchCV(ls,parameters)
5 clf.fit(x_train,y_train)
6 print (clf.best_params_)

{'alpha': 1, 'random_state': 0}
```

```
In [55]: 1 ls=Lasso(alpha= 1,random_state=0)
2 ls.fit(x_train,y_train)
3 ls.score(x_train,y_train)
4 pred_ls=ls.predict(x_test)
5
6 lss=r2_score(y_test,pred_ls)
7 for j in range(2,10):
8     lsscore = cross_val_score(ls,x_t,y,cv=j)
9     lsc=lsscore.mean()
10    print("At CV :-",j)
11    print("Cross Validation Score is :-",lsc*100)
12    print ("R2_score is :-",lss*100)
13    print('\n')
```

```
1 from sklearn.metrics import mean_squared_error,mean_absolute_error
2 print("Error:")
3 print("Mean Absolute Error:",mean_absolute_error(y_test,pred_ls))
4 print("Mean Square Error:",mean_squared_error(y_test,pred_ls))
5 print("Root Mean Squared Error:", np.sqrt(mean_squared_error(y_test,pred_ls)))
```

Error:
Mean Absolute Error: 24.055025696960744
Mean Square Error: 1509.5470227724218
Root Mean Squared Error: 38.852889503515975

```
1 plt.figure(figsize=(6,4))
2 plt.scatter(x=y_test,y=pred_ls,color='r')
3 plt.plot(y_test,y_test,color='b')
4 plt.xlabel('Actual Sales Price',fontsize=14)
5 plt.ylabel('Predicted Sales Price',fontsize=14)
6 plt.title('Lasso Regression',fontsize=18)
7 plt.show()
```



b) Ridge Regression:

Ridge Regression

```
In [58]: 1 from sklearn.linear_model import Ridge
2 parameters ={'alpha': [.0001,.001,.01,.1,1], 'fit_intercept':[True,False], 'normalize':[True,False], 'random_state':[1,2,3,4,5,6]}
3 rd=Ridge()
4 clf=GridSearchCV(rd,parameters)
5 clf.fit(x_train,y_train)
6 print (clf.best_params_)

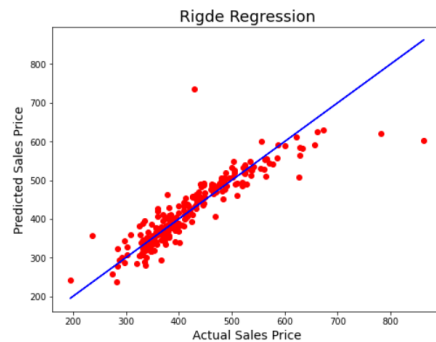
{'alpha': 0.1, 'fit_intercept': True, 'normalize': True, 'random_state': 1}
```

```
In [59]: 1 ridge=Ridge(alpha=0.1,random_state=1,fit_intercept=True,normalize=True)
2 rd.fit(x_train,y_train)
3 rd.score(x_train,y_train)
4 pred_rd=rd.predict(x_test)
5
6 rdd=r2_score(y_test,pred_rd)
7 for j in range(2,10):
8     rdscore = cross_val_score(rd,x_t,y,cv=j)
9     rdc=rdscore.mean()
10    print("At CV :-",j)
11    print("Cross Validation Score is :-",rdc*100)
12    print ("R2_score is :-",rdd*100)
13    print('\n')
```

At CV :- 2
Cross Validation Score is :- 80.81507809334917
R2_score is :- 80.81507809334917

At CV :- 3
Cross Validation Score is :- 82.8652984257285
R2_score is :- 82.8652984257285

```
In [60]: 1 plt.figure(figsize=(8,6))
2 plt.scatter(x=y_test,y=pred_rd,color='r')
3 plt.plot(y_test,y_test,color='b')
4 plt.xlabel('Actual Sales Price',fontsize=14)
5 plt.ylabel('Predicted Sales Price',fontsize=14)
6 plt.title('Rigde Regression',fontsize=18)
7 plt.show()
```



Same as Lasso Model all Data points are interacting with the predictd line

c) Decision Tree:

```
In [61]: 1 from sklearn.tree import DecisionTreeRegressor
2 parameters={'criterion':['mse','friedman_mse','mse'],'splitter':['best','random']}
3 dt=DecisionTreeRegressor()
4 clf=GridSearchCV(dt,parameters)
5 clf.fit(x_train,y_train)
6 print (clf.best_params_)

{'criterion': 'mse', 'splitter': 'best'}
```

```
In [62]: 1 dt=DecisionTreeRegressor(criterion='friedman_mse', splitter='best')
2 dt.fit(x_train,y_train)
3 dt.score(x_train,y_train)
4 pred_decision=dt.predict(x_test)
5 dts=r2_score(y_test,pred_decision)
6 print("r2_score:",dts*100)
7 dtscore = cross_val_score(dt,x_t,y,cv=3)
8 dtc=dtscore.mean()
9 print('Cross Val Score:',dtc*100)
```

r2_score: 67.83082498995954
Cross Val Score: 71.58701957810699

```
In [63]: 1 print("Error:")
2 print("Mean Absolute Error:",round(mean_absolute_error(y_test,pred_decision),2))
3 print("Mean Square Error:",round(mean_squared_error(y_test,pred_decision),2))
4 print("Root Mean Sqaured Error:",round(np.sqrt(mean_squared_error(y_test,pred_decision)),2))
```

Error:
Mean Absolute Error: 34.14
Mean Square Error: 2690.28
Root Mean Sqaured Error: 51.87

```
In [64]: 1 plt.figure(figsize=(8,6))
2 plt.scatter(x=y_test,y=pred_decision,color='r')
3 plt.plot(y_test,y_test,color='b')
4 plt.xlabel('Actual Sales Price',fontsize=14)
5 plt.ylabel('Predicted Sales Price',fontsize=14)
6 plt.title('Decision Tree Regression',fontsize=18)
7 plt.show()
```



Very Less Data Points Are Intracting with the predicted Line

d) Random Forest:

```
In [65]: 1 from sklearn.ensemble import RandomForestRegressor
2 parameters={'criterion':['mse','friedman_mse','mse'],'n_estimators':[100,200,300]}
3 rfr=RandomForestRegressor()
4 clf=GridSearchCV(rfr,parameters)
5 clf.fit(x_train,y_train)
6 print (clf.best_params_)

{'criterion': 'mse', 'n_estimators': 100}
```

```
In [66]: 1 rfr=RandomForestRegressor(criterion='mse', n_estimators= 200)
2 rfr.fit(x_train,y_train)
3 rfr.score(x_train,y_train)
4 pred_rd=rfr.predict(x_test)
5 rfrs=r2_score(y_test,pred_rd)
6 print("r2_score:",rfrs*100)
7 rfrscore = cross_val_score(rfr,x_t,y,cv=3)
8 rfrcv=rfrscore.mean()
9 print('Cross Val Score:',rfrcv*100)

r2_score: 84.6011765314799
Cross Val Score: 86.80559232523964
```

```
In [67]: 1 plt.figure(figsize=(8,6))
2 plt.scatter(x=y_test,y=pred_rd,color='r')
3 plt.plot(y_test,y_test,color='b')
4 plt.xlabel('Actual Sales Price',fontsize=14)
5 plt.ylabel('Predicted Sales Price',fontsize=14)
6 plt.title('Random Forest Regressor',fontsize=18)
7 plt.show()
```



More Data points are intracting with the predicted lines when compare with above models

e) Gradient SearchCV:

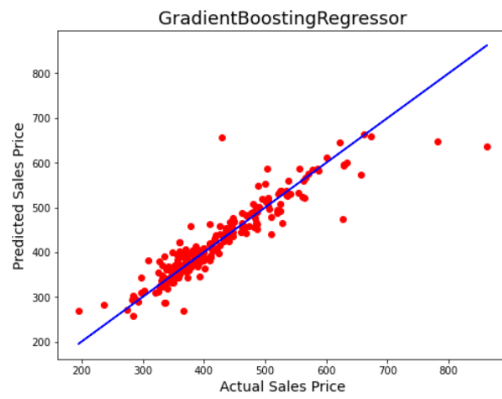
```
In [68]: 1 from sklearn.ensemble import GradientBoostingRegressor
2 parameters={'loss':['ls','lad','huber','quantile'],'n_estimators':[50,100,200],'criterion':['friedman_mse','mse']}
3 gbr=GradientBoostingRegressor()
4 clf=GridSearchCV(gbr,parameters)
5 clf.fit(x_train,y_train)
6 print(clf.best_params_)

{'criterion': 'friedman_mse', 'loss': 'huber', 'n_estimators': 200}
```

```
In [69]: 1 gbr=GradientBoostingRegressor(criterion='mse', loss='huber',n_estimators=100)
2 gbr.fit(x_train,y_train)
3 gbr.score(x_train,y_train)
4 pred_random=gbr.predict(x_test)
5 gbrs=r2_score(y_test,pred_random)
6 print("r2_score:",round(gbrs*100,2))
7 gbrscore = cross_val_score(gbr,x_t,y,cv=3)
8 gbrcv=gbrscore.mean()
9 print('Cross Val Score:',round(gbrcv*100,2))
10

r2_score: 85.32
Cross Val Score: 88.73
```

```
In [70]: 1 plt.figure(figsize=(8,6))
2         plt.scatter(x=y_test,y=pred_random,color='r')
3         plt.plot(y_test,y_test,color='b')
4         plt.xlabel('Actual Sales Price',fontsize=14)
5         plt.ylabel('Predicted Sales Price',fontsize=14)
6         plt.title('GradientBoostingRegressor',fontsize=18)
7         plt.show()
8
```

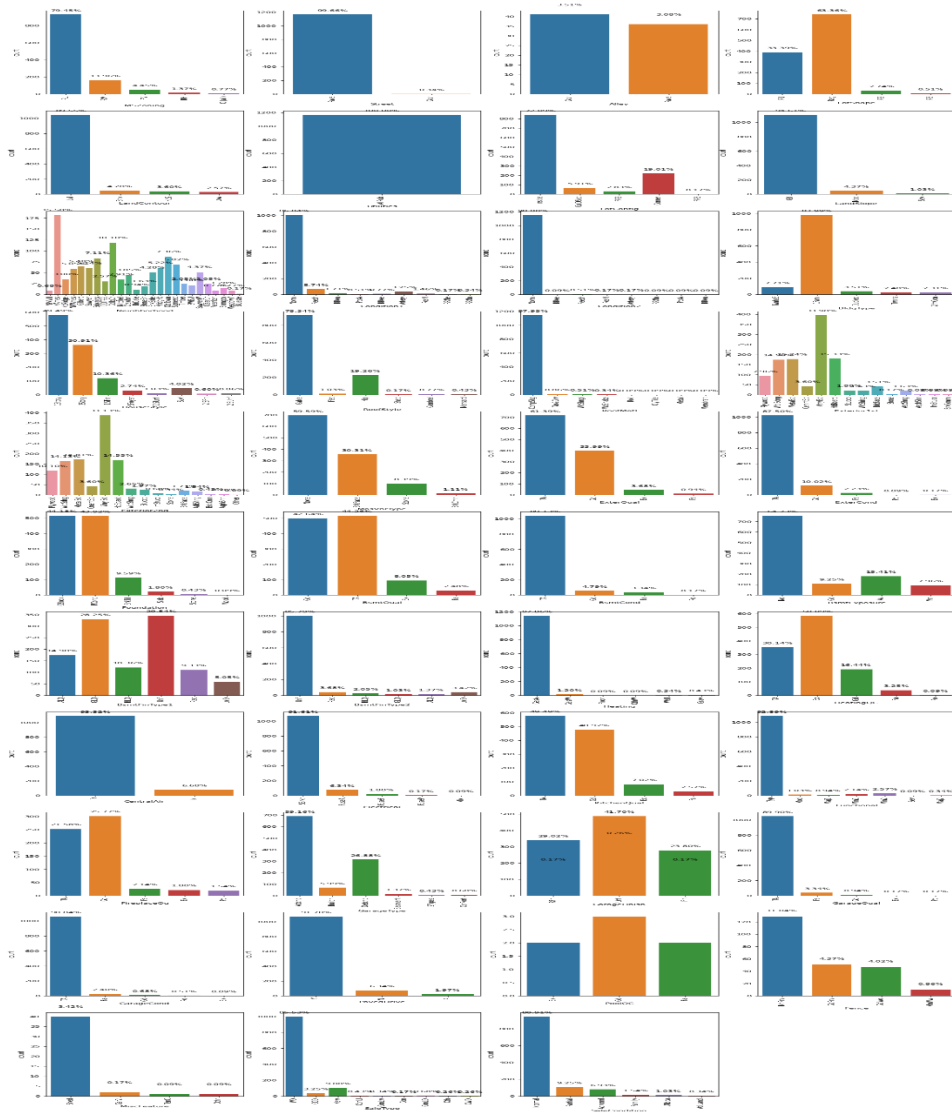


Most of data points are interacting with predicted line

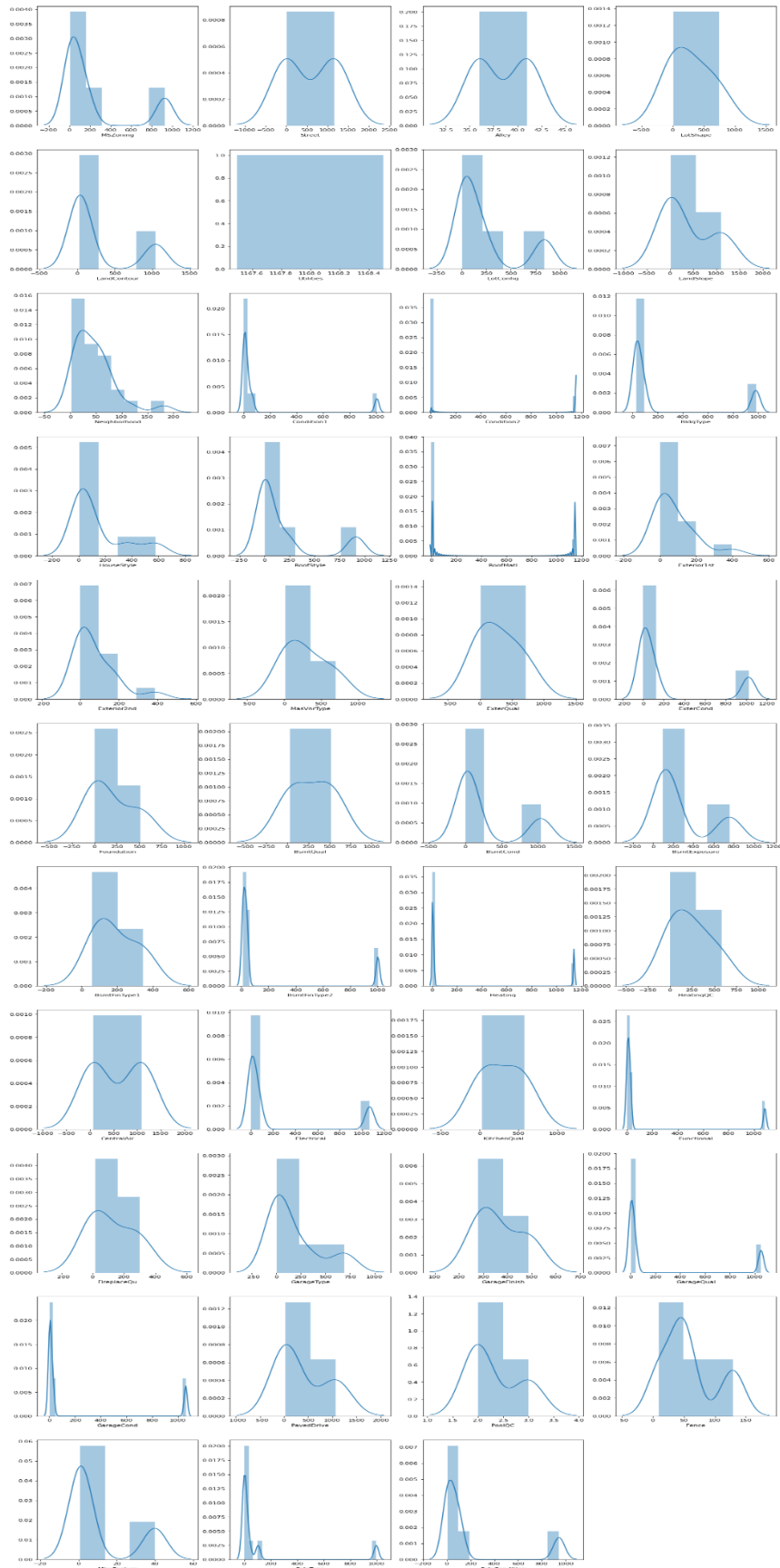
- Visualizations
 - a) Univariate Analysis
 - b) Bi Variant Analysis
 - c) Multi Variant Analysis

Please find the graphs below:

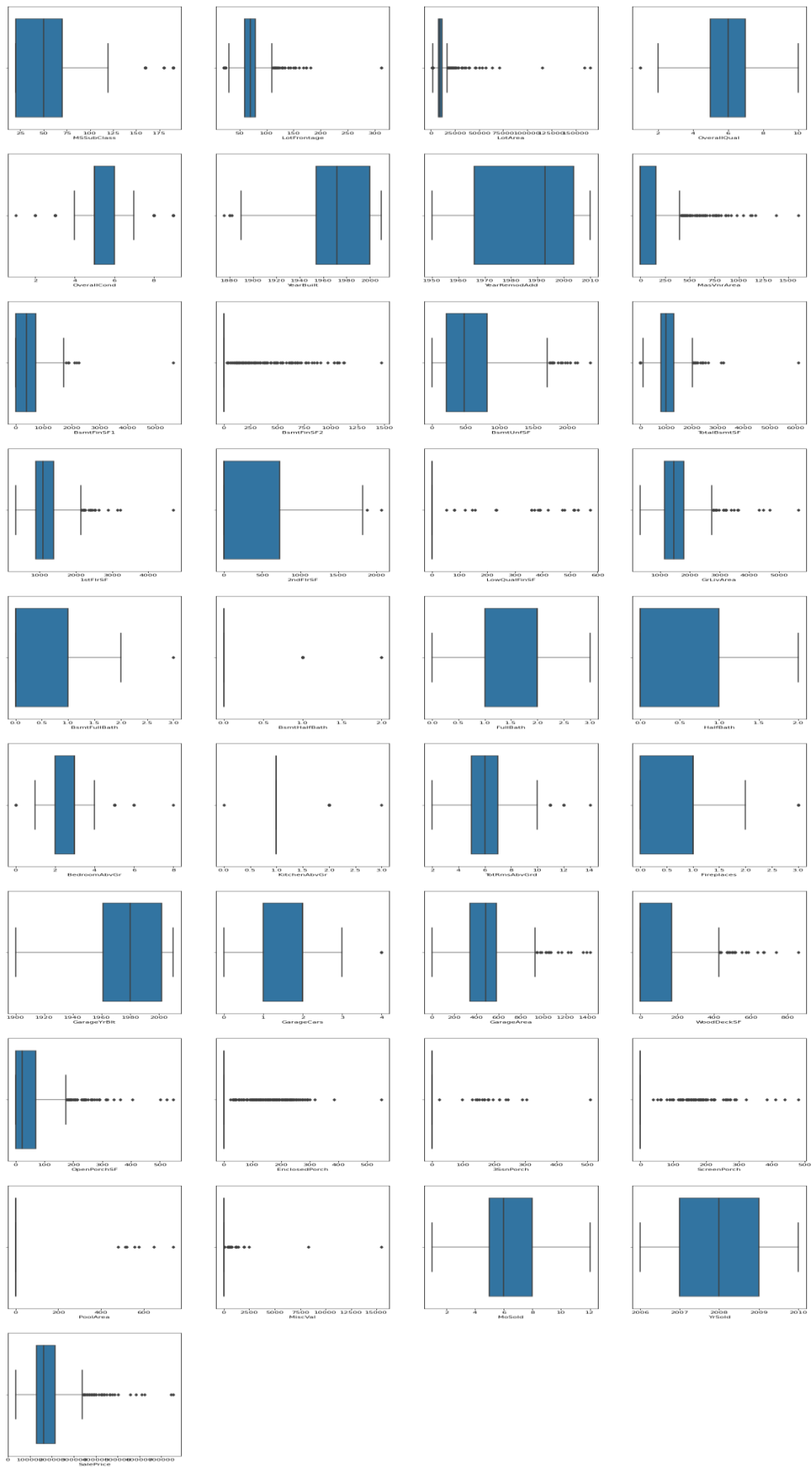
i) Bar Graphs



ii) Histogram



iii) Box plot



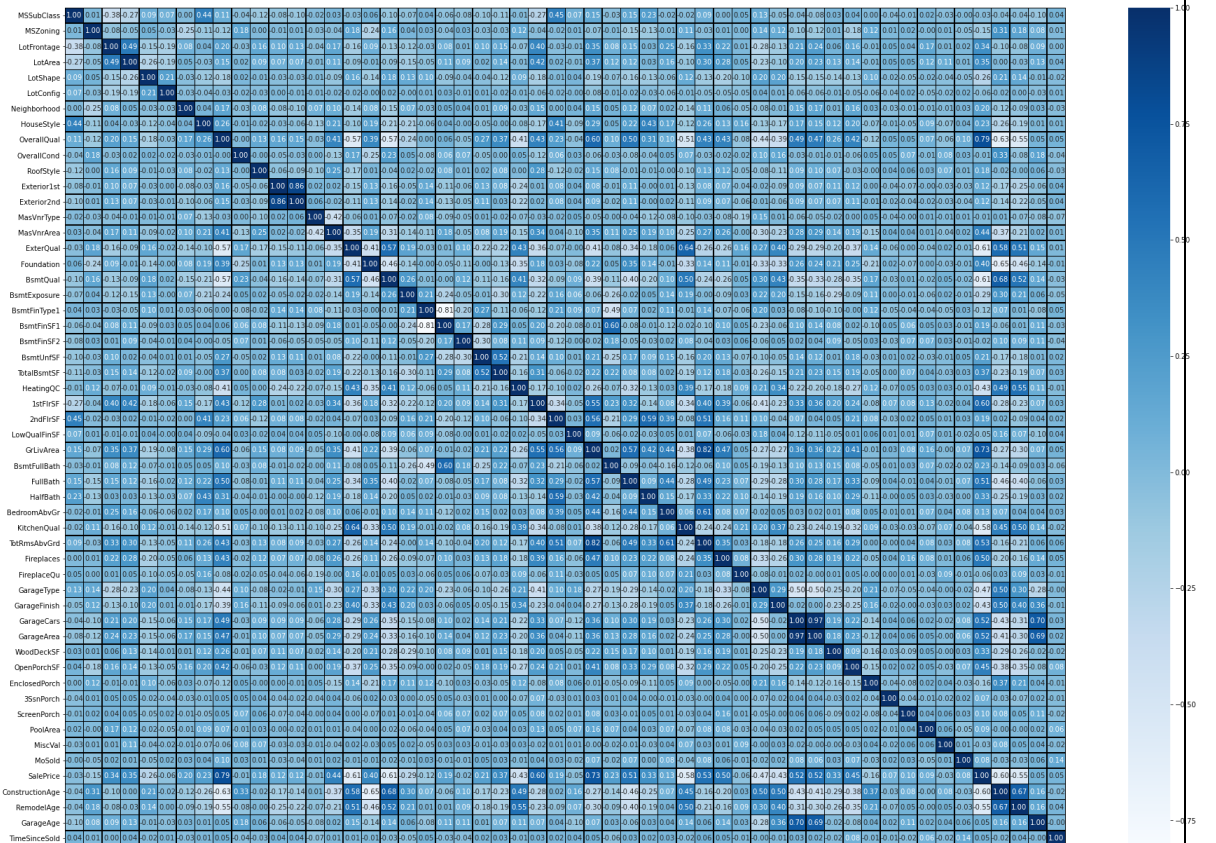
iv) Sub Plot



v) Scatter Plot:



vi) Correlation – Heatmap



• Interpretation of the Results

- Here we see correlation of all features based on saleprice or target.
- GarageCars and GarageArea both are high correlation with each others (0.88)
- TotRmsAbvGrd and GrLivArea both are high correlation with each others(0.83)
- TotalBsmtSF and 1stFlrSF both are high correlation with each others(0.82)
- Gradient Regressor is having the Accuracy of 86% which is quite a good score in predicting the model when compare with other model.
- The suburb of South Melbourne has the least negative coefficient and a house bought there would cost more.
- The suburb of North Melbourne has the most negative coefficient and a house bought there would cost less.
- The predictive model i.e. Gradient Regressor accounts for 86% of the variation in prices, which indicates a good accuracy in the predictions.
- The model's accuracy and reliability can be improved by excluding the outliers from the model data in future work.

CONCLUSION

- **Key Findings and Conclusions of the Study**
 - a. The study shows a comparison between the regression algorithms and artificial neural network when predicting house prices.
 - b. The local data gave a worse outcome when the same pre-processing strategy was implemented due to it being in a different shape compared with the public data in terms of the number of features and the correlation strength.
 - c. Hence, the local data needs more features to be added preferably with a strong correlation with the house price.
 - d. However, Gradient Regression got the best R2 score overall. The final results of this study showed that Gradient Regression better prediction compared to other used algorithms.

- **Learning Outcomes of the Study in respect of Data Science**
 - a. Here we see correlation of all features based on saleprice or target.
 - b. GarageCars and GarageArea both are high correlation with each others (0.88)
 - c. TotRmsAbvGrd and GrLivArea both are high correlation with each others(0.83)
 - d. TotalBsmntSF and 1stFlrSF both are high correlation with each others(0.82)
 - e. Gradient Regressor is having the Accuracy of 86% which is quite a good score in predicting the model when compare with other model.
 - f. The suburb of South Melbourne has the least negative coefficient and a house bought there would cost more.
 - g. The suburb of North Melbourne has the most negative coefficient and a house bought there would cost less.
 - h. The predictive model i.e. Gradient Regressor accounts for 86% of the variation in prices, which indicates a good accuracy in the predictions.
 - i. The model's accuracy and reliability can be improved by excluding the outliers from the model data in future work.

- **Limitations of this work and Scope for Future Work**
 - a. A list of features, that matches the public dataset's features, that is desired to be available when the data is sent.
 - b. There is no guarantee that the data will be available in time nor contains the exact requested list of features.
 - c. Thus, there might be a risk that the access will be denied or delayed. If so, the study will be accomplished based only on the public dataset.
 - d. Moreover, this study will not cover all regression algorithms; instead, it is focused on the chosen algorithm, starting from the basic regression techniques to the advanced ones.
 - e. Likewise, the artificial neural network that has many techniques and a wide area and several training methods that do not fit in this study.