

# **Predicting Car Price**

**AUTO LEARNING** 

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## **Abstract**

The cars dataset was originally scraped from thecarconncetion.com with full specs (dimensions, fuel economy, performance specs, safety features, warranty, etc.) and pricing information. Data wrangling and exploratory analysis was conducted subsequently. Car price distribution, buying guide, and price evolution over the years were illustrated. After imputation, one-hot encoding of the dataset, machine learning was implements using algorithms including linear regression, ridge regression, lasso regression, decision tree, random forests. A r2 score close to 0.99 was achieved by Random Forest. Feature importance analysis revealed the torque spec and displacement are the most important factor determining the car prices.

## Introduction

A customer is always concerned about if the money paid for the product is worth it. Car is a commodity with sophisticated technological wonders built into it. In any kind of modern car, there exist deep knowledge bases in mechanical engineering, electrical engineering, aerodynamics, software engineering, chemical engineering, automation, etc. Nobody has such full understanding and knowledge to make sound judgement of a new car's price. Car value and reputation are usually based on many years user experience, popularity, quality testing, etc. To the majority of car buyers, it would be a great tool to use a data-driven objective model to find the best quality car with all technical features being taken into account. To a customer that doesn't have an engineering background, the following evaluation metrics that are extracted from thecarconnection.com would help.

- Style: Points can be earned or lost based on above- or below-average interior and exterior style; excellent or poor interior or exterior style; and exceptional (or very poor) style.
- Performance: Points can be earned or lost based on powertrain performance; ride
  and handling performance. Exceptionally quick (o-60 mph in less than 5 seconds)
  or exceptionally slow (o-60 mph in more than 10 seconds) can earn or lose an
  additional point. An additional point can be awarded (or lost) for exceptional
  circumstances, i.e. off-road prowess, or supercar credentials.
- Comfort: Points can be earned or lost based on comfort in the front seats, back seats, or third-row seats (where applicable); good or bad interior storage and cargo capacity; and good fit and finish.

- Safety: Cars with official crash data gain points for a five-star overall rating by the NHTSA, or Top Safety Pick/Top Safety Pick+ status by the IIHS. An additional point is awarded for cars that come standard with full-speed automatic emergency braking. We award points for excellent outward vision and for abundant safety features and options such as parking assistance, surround-view camera systems, or driver-assistance features. Cars with official crash data lose points for a four-star overall rating by NHTSA, any "Marginal" IIHS or three-star NHTSA ratings, for poor outward vision, and when they lack forward-collision warnings and automatic emergency braking.
- Cars without crash data aren't given a rating at all. Cars with only partial ratings may be scored, generally when it improves their score.
- Features: Cars with excellent base equipment earn a point above average. Extra points can be added for exceptional available features, good value, good infotainment systems with screens larger than 7.0 inches, and good warranty or service programs. Cars may lose points for substandard or expensive features; bad feature packages; poor relative value; or bad warranty or service availability.
- Green: Cars are assigned a rating based on their EPA-estimated highway and combined mileage ratings. Plug-in and battery-electric vehicles start at 9. Electric-only cars with a range of more than 200 miles earn a score of 10. All other vehicles are sorted on a sliding scale based on EPA fuel economy.

# **Dataset**

The new cars dataset was obtained from the following link,

https://www.reddit.com/r/datasets/comments/b6rcwv/i scraped 32000 cars including the price and 115/

It was originally scraped from the carconncetion.com that provide comprehensive care specs and prices. According to its website, the Car Connection is an automotive property of Internet Brands, which owns and operates the largest network of car buying and financing resources in North America, including CarsDirect, Motor Authority, Green Car Reports, and Auto Credit Express.

Listed below are all the specs of an example car that are used as features of our dataset. It is divided into 5 categories:

- 1. Dimensions
- 2. Fuel Economy
- 3. Performance specs
- 4. Safety Features

5. Warranty

The details of feature names and corresponding full specs can be found in Appendix I.

# Software Packages

- Python 3.6
- Pandas 1.0.3
- Numpy 1.15.4
- Sklearn 0.23.1
- Matplotlib 3.2.1
- Scipy 1.10
- Missingno o.4.1

# **Data Wrangling**

Raw datasets usually have missing values, type errors, mixing data types, irregular format, lacking features and all kinds of other unexpected errors existing in them. Therefore, it is necessary to clean the raw dataset and fix all those problems in order to transform the dataset into the desired form that is suitable for applying all kinds of machine learning algorithms.

For our cars dataset, the following procedures have been carried out

- Rename column names shorter and regularized
- Removing Extraneous Data
  - o Columns with 100% missing values
  - o Remove duplicate rows
  - o Remove columns with only one unique value
- Prepare target column
  - o Drop the few rows that have missing values. Remove '\$ 'sign and ','.
- Extract Year and Model from one column
- Define function to convert relevant columns to floats using pd.to\_numeric()
- Clean up column 'Displacement'
  - Fill missing data with empty string to avoid error during cleaning operations.

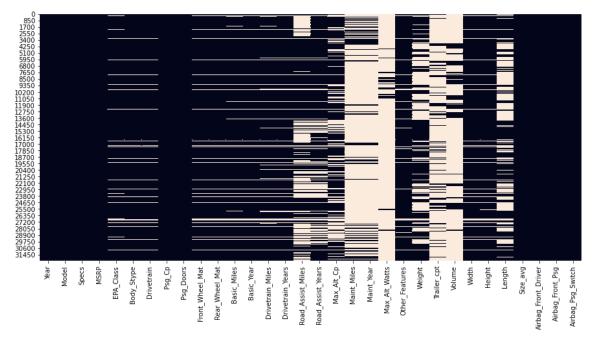
- o replace 'L/...' and strip white spaces right and left
- Strip leading and trailing white space
- Use len() to list out other data to be cleaned.
- o Romove '/xx'
- o Remove ' (152)'
- o transform '39.5 Cu.in. Range Extender' to liter
- o calculate from cubit inch to liter:
- Two columns [ 'EPA Class', 'EPA Classification'] are identical. Remove one.

# **Exploratory Data Analysis**

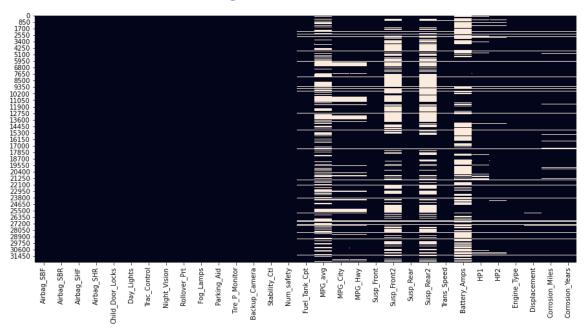
# Missing data

How the missing values are distributed in the dataframe can be best visualized by the heatmap provided by seaborn package. The white area in the figure below represents missing entries. The following figure give us an Overall idea how much missing values are present in each individual feature. Columns like Volume and Trailer\_cpt are mostly missing. There are no missing values in features like Year, Model, Specs, Safety related.

# Missing Data Visualization 1/2







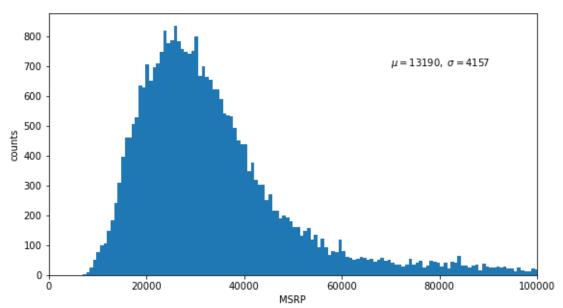
More analysis shows there are 15.7% of total dataset are missing values. The features with the most missing percentage are list below in descending order.

| Feature           | Fraction of Missing Values |
|-------------------|----------------------------|
| Max_Alt_Watts     | 0.095107                   |
| Maint_Miles       | 0.083826                   |
| Maint_Year        | 0.083669                   |
| Trailer_cpt       | 0.083346                   |
| Volume _          | 0.080817                   |
| Susp_Rear2        | 0.053926                   |
| Susp_Front2       | 0.053641                   |
| Battery_Amps      | 0.051202                   |
| MPG_avg           | 0.046682                   |
| Length            | 0.046416                   |
| Road_Assist_Miles | 0.041294                   |
| Weight            | 0.034370                   |
| Max_Alt_Cp        | 0.029928                   |
| Road_Assist_Years | 0.023916                   |
| MPG_Hwy           | 0.016538                   |
| MPG_City          | 0.016525                   |
| HP1               | 0.011472                   |
| Drivetrain_Miles  | 0.009987                   |
|                   |                            |

### Price distribution

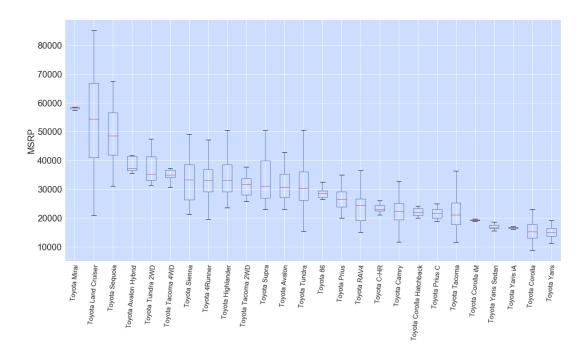
The price distribution of car models is shown below. Prices exceeding \$100K for luxury cars are not plotted. The most frequent prices are around \$29295. The standard deviation is: 4157.

# Price Distribution (less than \$100k)



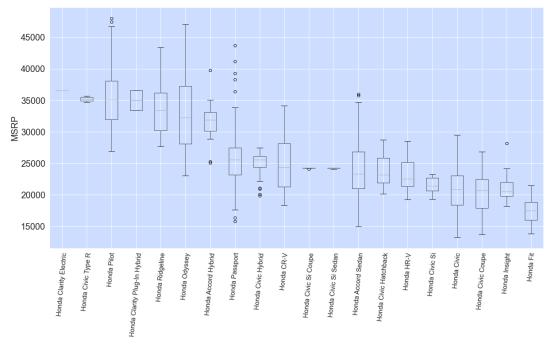
The high-end and low-end car models from Toyota are shown in the figure below with median prices of each model being sorted. Top-end Toyota models include Mirai, Land Cruiser, Sequoia, etc. Low-end models include Yaris, Corolla, etc.

**Toyota Models Price Survey** 



The following is a survey of Honda cars. High-end Honda models include Clarity, Civic R, Pilot, etc. Low-end models include Fit, Insight, Civic Coupe, etc.

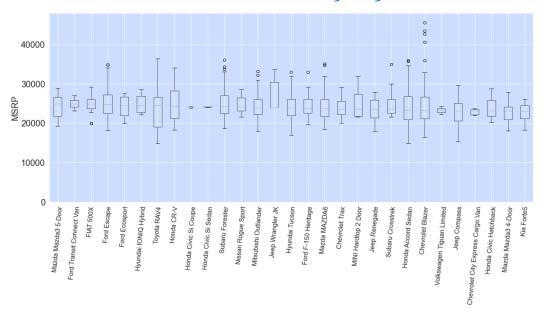
# **Honda Models Price Survey**



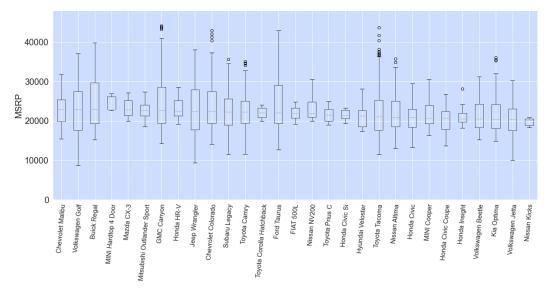
# Buying guide for budget-tight customers

For budget-tight customers, the following box plots provide a convenient guidance for frugal customers to choose car models that are below \$25,000. There are all together 90 models and split into 3 plots. They are ordered from high to low according median price of each model.

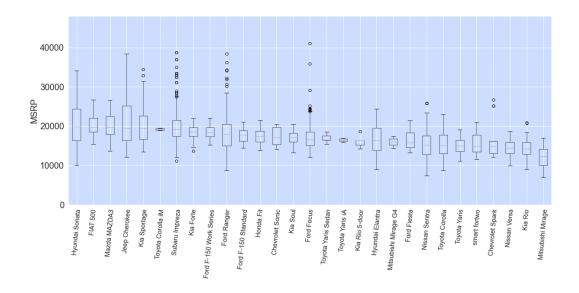
Car Models Less than 25K -1/3



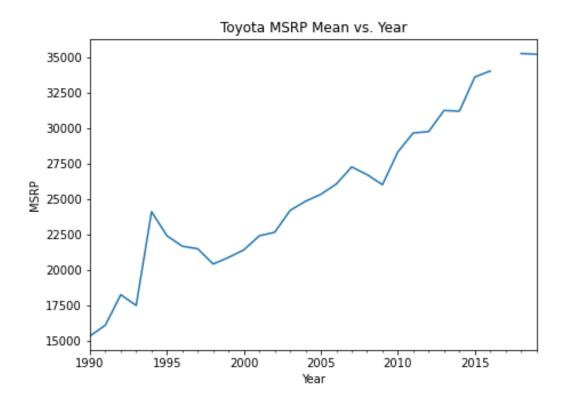
Car Models Less than 25K -2/3



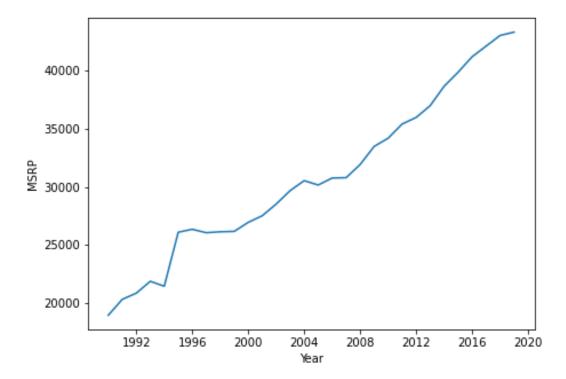
Car Models Less than 25K -3/3



# Evolution of car prices over the years



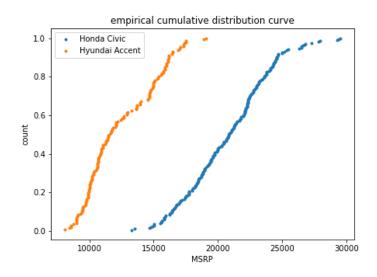
### Evolution of Average Price Over All Models

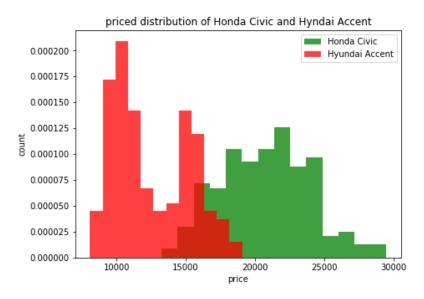


Car prices have been constantly increasing generally linearly over the last two decades, as shown above for Toyota and all models combined. This indicates year is an important feature to predict prices.

# Hypothesis testing on two low-end car models

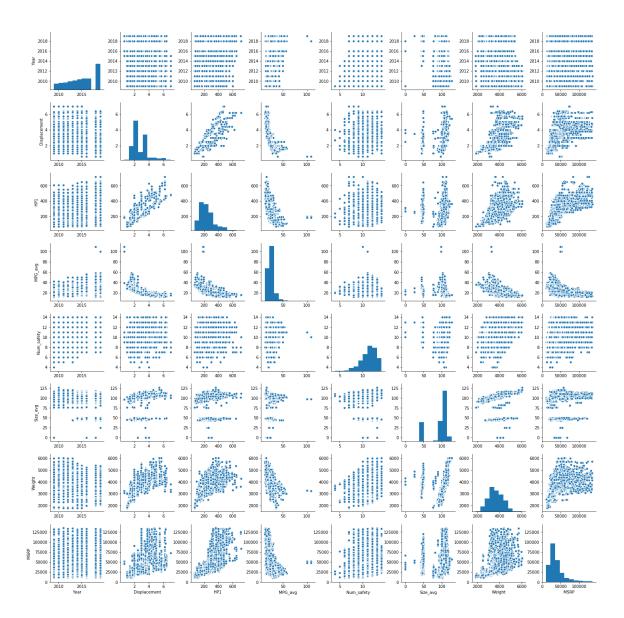
It was told that both Honda Civic and Hyundai Accent are good quality cars with good awesome deals. The box plot above shows the two models have large overlap in their price range. Is the difference in their mean price significant or negligible? Both empirical cumulative distribution carves and the statistic price distribution figure below clearly indicate a significant difference. A small fraction of price overlap exists.

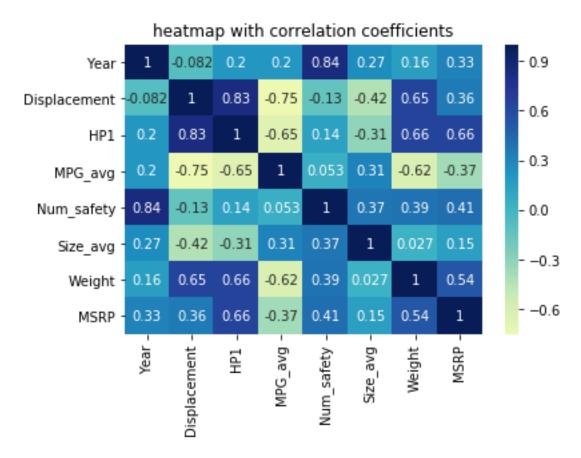




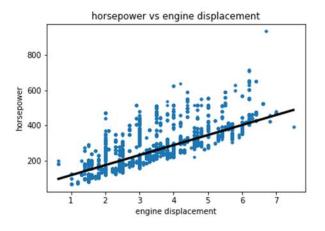
# Correlation investigations

Possible correlations between features can be investigated by using the pair plots function coupled with heatmap function from seaborn, as shown below.

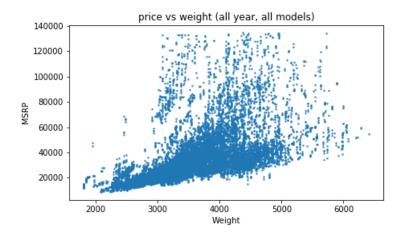




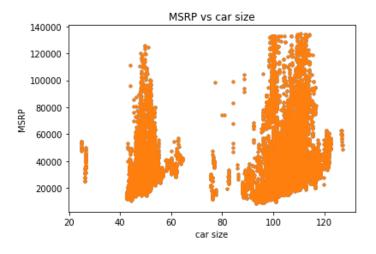
Both the pair plot and heatmap indicate a positive correlation between horsepower and engine displacement, which agrees well with physics and engineering principles. A linear fitting line was is shown in the figure below. Some correlation also exists between size and displacement, horsepower and MPG, price and horsepower, price and weight.



It is interesting to notice that the bottom one in the price range with the same weight is almost linearly proportional to price, as shown in the figure below. ¶



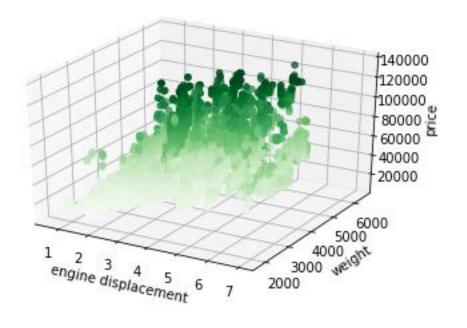
The influence of car sizes on the price are aggregated or clustered. There is no obvious trend for the price related to size.

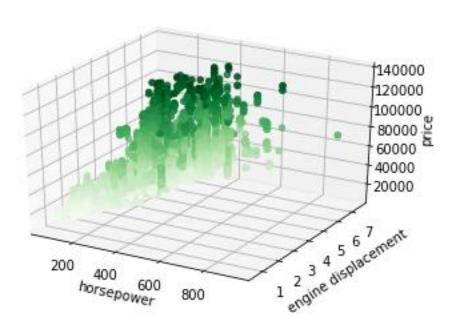


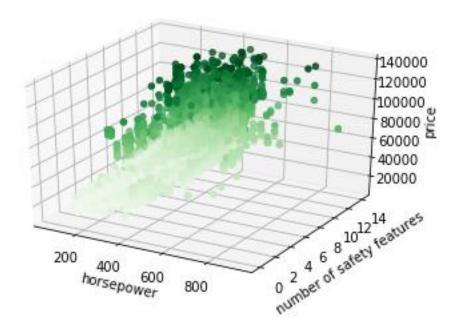
# Explore correlations using 3-D Plots

By exploring combination of any two different features to see their effect on MSRP in the 3D plots, it looks like the following features are well correlated to the car price,

- horsepower
- weight
- engine displacement
- number of safety features







# **Machine Learning**

# **Imputation**

An algorithm was developed to fill some the missing weight values in the dataset. The entry in 'Specs' is most reliable to infer the car price because it has brand, model and year information that determine the price in a predominant way. Therefore, by comparing the distance of strings between the missing and neighbors, we can make a reasonable guess of weight data. Levenshtein distance was used to calculate the distance. The rest of missing values was imputed by using MissForest and SimpleImputer.

# One-hot encoding

All the categorical features were transformed to one-hot numeric arrays using get\_dummies from sklearn.

#### Metrics

The coefficient of determination, denoted R2 or r2, will be used to evaluate the each model.

$$R^{2}(y, \hat{y}) = 1 - \frac{\sum_{i=1}^{n} (y_{i} - \hat{y_{i}})^{2}}{\sum_{i=1}^{n} (y_{i} - \overline{y})^{2}}$$

It represents the proportion of variance (of y) that has been explained by the independent variables in the model. It provides an indication of goodness of fit and therefore a measure of how well unseen samples are likely to be predicted by the model.

# Data shuffling

Since the data was aggregated by the car model and year in the dataset, it is necessary to shuffle the data. Otherwise, the train set and test might be inclined to certain car models. The drawback is not seeing the variety during the learning and prediction score is biased. Therefore, train\_test\_split is used here for the single purpose of shuffling the dataset. That is why the test\_size is set very small, it is not really going to used for evaluation. The evaluation is done inside cross\_val\_score function using 20% of X\_train and y\_train, i.e., cv=5.

Random Forest has a built-in mechanism that is similar to cross-validation. 30% of dataset defined by test\_size parameter in train\_set\_split() was used as held-out set for evaluation purpose.

#### Models

#### Linear Regression

Linear regression is a linear approach to modeling the relationship between a dependent variable and one or more independent variables. Linear regression is perhaps one of the most well-known and well understood algorithms in statistics and machine learning.

### Ridge Regression

Ridge regression is useful to mitigate the problem of multicollinearity in linear regression, which commonly occurs in models with large numbers of parameters. In general, the method provides improved efficiency in parameter estimation problems in exchange for a tolerable amount of bias.

### Lasso Regression

Lasso regression utilizes a penalty equal to the absolute value of the magnitude of coefficients. This type of regularization can result in sparse models with few coefficients, which is the ideal for producing simpler models. In contrast, Ridge regression doesn't result in elimination of coefficients or sparse models.

#### **Decision Tree**

Decision Trees predicts the value of a target variable by making and learning simple decision rules inferred from the data features. Tree models where the target variable can take a discrete set of values are called classification trees; in these tree structures, leaves represent class labels and branches represent conjunctions of features that lead to those class labels. Decision trees where the target variable can take continuous values are called regression trees. Decision trees are among the most popular machine learning algorithms given their intelligibility and simplicity.

#### Random Forest

Random forest is a supervised learning algorithm. The "forest" it builds, is an ensemble of decision trees, usually trained with the "bagging" method. The general idea of the bagging method is that a combination of learning models increases the overall result. Random forest builds multiple decision trees and merges them together to get a more accurate and stable prediction.

#### Results of Models

### Scoring

Machine learning scores for each model are detailed below. It takes much longer time for Lasso Regression and Random Forest to finish the task.

```
Linear Regression Cross-Validation Scores:
0.9627886187122039
0.9691926386058723
0.9657677293636685
0.9745384929385765
0.9674591456627235
Average Score: 0.9679493250566089
Wall time: 16.8 s
Ridge Regression Cross-Validation Scores:
0.9616672391622018
0.9637299689901893
0.9629544548681291
0.9670442472466491
0.9654943849039259
Average Score: 0.964178059034219
Wall time: 5.95 s
Lasso Regression Cross-Validation Scores:
0.96169873941943
0.9675678834459969
0.9651152364645428
0.9713790553792578
0.9664975109884204
Average Score on 5-Folds: 0.9664516851395296
```

Wall time: 2min 13s

Decision Tree Cross-Validation Scores:

0.9137332526752456 0.9138718489890844 0.9062166810688369 0.9124803029278153 0.9206118581501173

Average Score: 0.91338278876222

Random Forest Score:

Test score: 0.9863621135441437

Wall time: 2min 18s

The average r2 score for each model is list in descending order in the table below.

| Models            | r2_score | negative mean<br>absolute error |
|-------------------|----------|---------------------------------|
| Random Forest     | 0.986    | -1443                           |
| Linear regression | 0.968    | -1002483                        |
| Lasso Regression  | 0.967    | -3262                           |
| Ridge Regression  | 0.964    | -3525                           |
| Decision Tree     | 0.908    | -5470                           |

Most of the models used give excellent goodness of fit that their r2 scores are mostly above 0.96. This indicate these models are of good choice.

Random Forest gives the best performance with r2 being very close to 0.99. Decision Tree has the poorest performance with a r2\_score of 0.908.

The reason that Random Forest is about 0.02 higher in r2\_score than linear approach is because there are a lot of categorical features in the dataset that are more meaningful in decision making instead of numeric significance.

The negative mean absolute error from sklearn.metrics was also used to examine model performance. The scores are listed in the table above. It can be seen Decision Trees still tops the perforce. Scoring for Linear Regression is, however, exceedingly low. This tell us selection of metrics has a great influence on ranking the performance of algorithms.

# Feature Importance

The feature importance results are shown in the table below. The bar graph shows top 20 features.

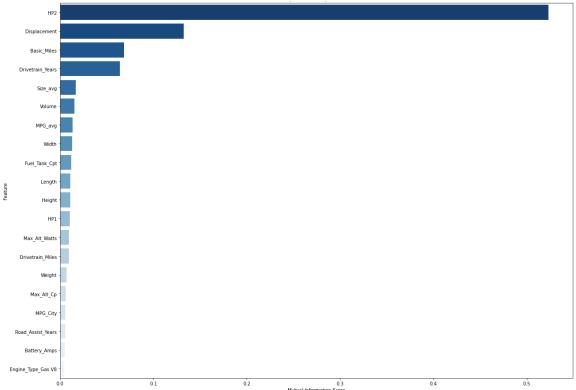
| Rank | Feature | Importance |
|------|---------|------------|
| 0    | HP2     | 0.523067   |

| 1 | Displacement | 0.132579 |
|---|--------------|----------|
| 2 | Basic_Miles  | 0.068280 |

| 3  | Drivetrain_Years    | 0.064147 |
|----|---------------------|----------|
| 4  | Size_avg            | 0.016712 |
| 5  | Volume              | 0.015565 |
| 6  | MPG_avg             | 0.013185 |
| 7  | Width               | 0.013044 |
| 8  | Fuel_Tank_Cpt       | 0.011811 |
| 9  | Length              | 0.011152 |
| 10 | Height              | 0.011051 |
| 11 | HP1                 | 0.010560 |
| 12 | Max_Alt_Watts       | 0.009645 |
| 13 | Drivetrain_Miles    | 0.009586 |
| 14 | Weight              | 0.007124 |
| 15 | Max_Alt_Cp          | 0.005830 |
| 16 | MPG_City            | 0.005474 |
| 17 | Road_Assist_Years   | 0.005334 |
| 18 | Battery_Amps        | 0.004968 |
| 19 | Engine_Type_Gas V8  | 0.004681 |
| 20 | Trans_Speed         | 0.003093 |
| 21 | Road_Assist_Miles   | 0.002801 |
| 22 | Model_Lamborghini A | 0.002461 |
|    | ventador            |          |
| 23 | Trailer_cpt         | 0.002054 |
| 24 | Parking_Aid_No      | 0.001821 |
| 25 | Num_safety          | 0.001802 |
| 26 | Parking_Aid_Yes     | 0.001720 |
| 27 | Psg_Cp              | 0.001657 |
| 28 | Maint_Miles         | 0.001538 |
| 29 | Maint_Year          | 0.001379 |
| 30 | Fog_Lamps_Yes       | 0.001372 |

| 31 | Backup_Camera_Yes   | 0.001357 |
|----|---------------------|----------|
| 32 | Fog_Lamps_No        | 0.001270 |
| 33 | Psg_Doors           | 0.001248 |
| 34 | Corrosion_Years     | 0.001235 |
| 35 | Model_Maserati Quat | 0.001120 |
|    | troporte            |          |
| 36 | Model_Porsche 911   | 0.001021 |
| 37 | Backup_Camera_No    | 0.001017 |
| 38 | MPG_Hwy             | 0.000987 |
| 39 | Engine_Type_Twin Tu | 0.000974 |
|    | rbo Premium Unleade |          |
|    | d V-12              |          |
| 40 | Model_Bentley Conti | 0.000779 |
|    | nental GT           |          |
| 41 | Basic_Year          | 0.000681 |
| 42 | Night_Vision_Yes    | 0.000676 |
| 43 | Front_Wheel_Mat_Ste | 0.000661 |
|    | el                  |          |
| 44 | Rear_Wheel_Mat_Stee | 0.000642 |
|    | 1                   |          |
| 45 | Trac_Control_No     | 0.000642 |
| 46 | Engine_Type_Premium | 0.000615 |
|    | Unleaded V-12       |          |
| 47 | Engine_Type_Gas V12 | 0.000596 |
| 48 | Model_Porsche Panam | 0.000574 |
|    | era                 |          |
| 49 | Susp_Front2_Double  | 0.000553 |
|    | Wishbone            |          |
|    |                     |          |





The HP2 (torque spec) has the highest importance, which is at least 4 times higher than the rest. The 2<sup>nd</sup> highest is Displacement, which is at least 2 times higher than the rest. These top 2 features are all specs related to car engines. The engine is the heart of a car that is the most dominating part for the major performance of car for example the car's lifetime, speed, driving smoothness, horsepower, fuel efficiency, etc. So, their influence on car price should be greater than other features.

Basic\_Miles and Driverain\_Years are in the warranty category and are surprisingly in the top ranking. The domain knowledge is required to explain it.

Size\_avg, Volume, Width, Length, and Height are specs for car's dimensions. Their feature importance is somewhat close to each other and ranges from 0.011 to 0.016. This again proves the Decision Tree is an intelligent ensemble learning method.

HP1 is the horse power. Its feature importance is 0.01 that is 52 times lower than that of torque spec (HP2). Careful examination of two series of the data reveal HP1/HP2 ratio has a wide range from 0.5 to 10.8, in stead of being a constant. This is probably because the car manufacturers are not adopting the same engine speed to obtain horsepower and torque

specs. The following figure helps to understand that the horsepower follows a nearly linear relationship with engine speed, however, the torque doesn't.

# 800 700 600 Power (bhp), Torque (lbft) 500 300 200 Power Torque 100 500 1500 2500 3500 4500 5500 6500 Engine Speed (rpm)

# Horsepower and Torque Varied with Engine Speed

https://www.caranddriver.com/news/a15347872/horsepower-vs-torque-whats-the-difference/

Weight ranks 14<sup>th</sup>. Miles per gallon MPG\_City ranks 16<sup>th</sup>. It is common knowledge that a heavier car consumes proportionally higher amount of gasoline per mile. This model precisely reveals the close relationship between the two specs.

Some car models like Model\_Lamborghini Aventador, Model\_Maserati Quattroporte, and Model\_Bentley Continental GT are in top 50 important features and are more important than technical specs. For example, the feature importance of Model\_Lamborghini Aventador is greater than that of number of passenger doors. This is probably because these are luxury cars that have a lot of weight on price tag.

# Multicollinearity

Although correlation heatmap help find multicollinearity, it is limited to bivariate relationship between the independent variables. VIF, variance\_inflation\_factor, instead show the correlation of a variable with all other variables. High multicollinearity is indicated by VIF exceeding 5 or 10.

Package statsmodels.stats was used to calculate vif. The results are shown below.

#### VIF calculated with all variable

#### variables VIF Volume Corrosion Years Corrosion Miles Num safety Psg Cp Trans Speed Psg Doors Size avg Trailer cpt Battery Amps Max Alt Cp Drivetrain Years Max Alt Watts HP1 Road Assist Miles Drivetrain Miles Displacement HP2 Fuel Tank Cpt Basic Miles Road Assist Years Basic Year Maint Year Maint Miles Weight Height Length MPG Hwy MPG City MPG avg Width

## VIF calculated after removing 2 variables

|    | variables         | VIF |
|----|-------------------|-----|
| 0  | Volume            | 4   |
| 1  | Corrosion Miles   | 12  |
| 2  | Corrosion Years   | 12  |
| 3  | Num_safety        | 18  |
| 4  | Psg_Cp            | 20  |
| 5  | Trailer_cpt       | 21  |
| 6  | Trans_Speed       | 22  |
| 7  | Psg_Doors         | 22  |
| 8  | Size_avg          | 23  |
| 9  | Battery_Amps      | 24  |
| 10 | Max_Alt_Cp        | 45  |
| 11 | Drivetrain_Years  | 52  |
| 12 | Max_Alt_Watts     | 53  |
| 13 | HP1               | 54  |
| 14 | Road_Assist_Miles | 57  |
| 15 | Drivetrain_Miles  | 60  |
| 16 | Displacement      | 64  |
| 17 | HP2               | 74  |
| 18 | Fuel_Tank_Cpt     | 85  |
| 19 | Basic_Miles       | 86  |
| 20 | Road_Assist_Years | 101 |
| 21 | MPG_City          | 140 |
| 22 | Height            | 170 |
| 23 | Basic_Year        | 173 |
| 24 | Maint_Year        | 201 |
| 25 | Maint_Miles       | 207 |
| 26 | MPG_Hwy           | 226 |
| 27 | Weight            | 259 |
| 28 | Length            | 274 |

It appears that VIF is all very high in overall, considering 10 as threshold. MPG\_avg, Width are at least about two times higher than all the other variables. VIF results from removing the two variables improve the correlations of the rest variables.

The effect of the two variables with highest VIF on the models' performance are evaluated.

#### Scoring with all variables

| Models | r2_score | negative mean  |
|--------|----------|----------------|
|        |          | absolute error |

| Random Forest     | 0.986 | -1443    |
|-------------------|-------|----------|
| Linear regression | 0.968 | -1002483 |
| Lasso Regression  | 0.967 | -3262    |
| Ridge Regression  | 0.964 | -3525    |
| Decision Tree     | 0.908 | -5470    |

Scoring after removing two variables ('MPG\_avg', 'Width')

| Models            | r2_score | negative mean<br>absolute error |
|-------------------|----------|---------------------------------|
| Random Forest     | 0.985    | -1529                           |
| Linear regression | 0.964    | -3131                           |
| Lasso Regression  | 0.963    | -3311                           |
| Ridge Regression  | 0.960    | -3566                           |
| Decision Tree     | 0.913    | -5618                           |

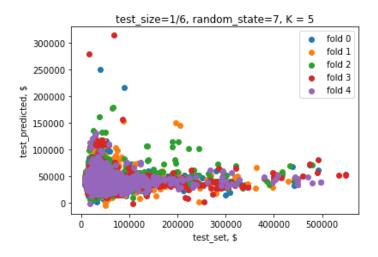
The models' performance actually slightly weakens after the two variables. It proves that multicollinearity may not necessarily have negative effect on model's predictability.

The high correlation between hp and displacement found in the EDA earlier doesn't suggest a bad apple neither.

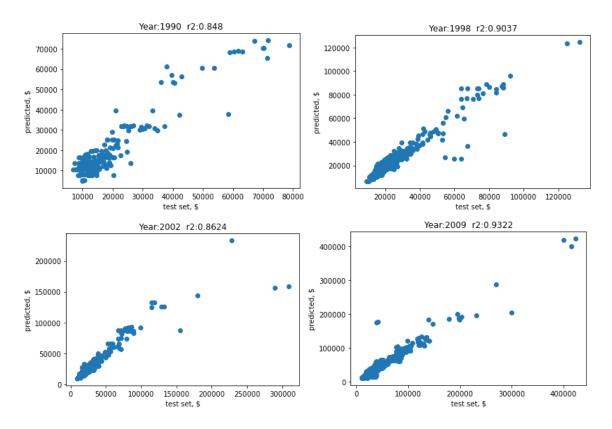
This seems to indicate that correlations may not be an effective tool for feature engineering.

# Problems with Linear Regression

It was found that linear regression sometimes gave vary large negative scores. Using cross validation method, below is an example that shows the predication is very far from the test set.



This problem is most likely caused by the random split that certain cars that are in the test set but not in the train set. In order to solve this problem, Year was used as an integer. Set aside all the cars of one single year as test set, all the rest years' cars are used an train set. Shown below are the results from picking 5 years. R2 scores are also recorded. Therefore, by using choosing test set based on year, the problem with imbalanced dataset can be solved.



Year as Integer: Its Influence on Model Performance

Since the car prices usually rise each year, it is reasonable to use this variable as integer.

| Models            | r2_score | negative mean<br>absolute error |
|-------------------|----------|---------------------------------|
| Random Forest     | 0.985    | -1691                           |
| Lasso Regression  | 0.962    | -3398                           |
| Linear regression | 0.961    | -3200                           |
| Ridge Regression  | 0.958    | -3671                           |
| Decision Tree     | 0.905    | -5820                           |

However, models performance remains somewhat similar to using year as category. Random Forest ranks 1<sup>st</sup> position that scores much higher than other models. Random Forest actually performs better when using year as categorical data type.

# **Conclusions**

Tremendous efforts were made on data wrangling/cleaning. A small program was coded to successfully impute missing entries in the weight data. This imputation strategy relies on insightful domain knowledge.

Using hypothesis testing, it was found there is significant difference in the mean price between two low-end popular car models: Hyundai Accent and Honda Civic.

Exploratory data analysis was conducted to visualize missing values over all dataset, provide buying guide for low-income customers by extracting all lowly-priced car models and sorting in order. The pair plot and heatmap indicate a positive correlation between horsepower and engine displacement, which agrees well with physics and engineering principles. Linear line fit well the correlations between size and displacement, horsepower and MPG, price and horsepower, price and weight.

Imputation and one-hot encoding were done prior to apply various machine learning algorithms. We take advantage of machine learning algorithm called Missforest to automatically fill a large amount of missing values, which is one of the reasons we end up with very high predicting accuracy.

Five models were experimented including linear regression, ridge regression, lasso regression, decision trees and random forest. Except lower performance of decision trees, all the other models deliver very good r2 scores higher than 96%. The best model is random forest that scored close to 99%.

Feature importance analysis revealed the torque spec (HP1) and displacement are the most important factor determining the car prices. This result indicates the power of random forest because these two features are related to the heart of car: engine.

Influence of correlations by calculating the VIF indicates it may not be an effective tool for feature engineering.

Linear regression sometimes results in abnormally high r2 score. It was found the random split is the culprit because some of the car models may be in the test set but not in the train set. Modifying year to be numerical and setting aside one year's data as test set successfully solved the problem.

# **Future Work**

- Acquire more domain knowledge for the purpose of feature engineering
  - o remove unnecessary features

- o create new features
- Tune models hyperparameters to marginally improve performance
- Obtain data for newer car models to test the model
- Search for even better algorithms

# Appendix 1

# Features Index

| reatures index                      |   |
|-------------------------------------|---|
| Features                            | Full Name   |
| Volume                              | Cargo Volume (ft³)  |
| Width                               | Width Max w/o mirrors (in)                                |
| Height                              | Height Overall (in)                                       |
| Length                              | Length Overall (in)                                       |
| Weight                              | Base Curb Weight (lbs)                                    |
| Trailer_cpt                         | Maximum Trailering Capacity (lbs)                         |
| Fuel_Tank_Cpt                       | Fuel Tank Capacity Approx (gal)                           |
| MPG_avg                             | Fuel Economy Est-Combined (MPG)                           |
| MPG_City                            | EPA Fuel Economy Est - City (MPG)                         |
| MPG_Hwy                             | EPA Fuel Economy Est - Hwy (MPG)                          |
| Trans_Speed                         | Trans Type  |
| Airbag_Front_Driver                 | Air Bag-Frontal-Driver                                    |
| Airbag_Front_Psg                    | Air Bag-Frontal-Passenger                                 |
| Airbag_Psg_Switch                   | Air Bag-Passenger Switch (On/Off)                         |
| Airbag_SBF                          | Air Bag-Fassenger Switch (On/On)  Air Bag-Side Body-Front |
| Ü                                   | Air Bag-Side Body-Front Air Bag-Side Body-Rear            |
| Airbag_SBR                          |   |
| Airbag_SHF                          | Air Bag-Side Head-Front                                   |
| Airbag_SHR                          | Air Bag-Side Head-Rear                                    |
| Child_Door_Locks                    | Child Safety Rear Door Locks                              |
| Day_Lights                          | Daytime Running Lights                                    |
| Trac_Control                        | Traction Control  |
| Night_Vision                        | Night Vision  |
| Rollover_Prt                        | Rollover Protection Bars                                  |
| Fog_LampsParkingAid                 | Fog Lamps   |
| Tire_P_Monitor                      | Tire Pressure Monitor                                     |
| Backup_Camera                       | Back-Up Camera  |
| Stability_Ctl                       | Stability Control   |
| Susp_Front                          | Suspension Type - Front                                   |
| Susp_Front2                         | Suspension Type - Front (Cont.)                           |
| Susp_Rear                           | Suspension Type - Rear                                    |
| Susp_Rear2                          | Suspension Type - Rear (Cont.)                            |
| Cold Cranking Amps @ o° F (Primary) | Battery_Amps  |
| SAE Net Torque @ RPM                | HP <sub>1</sub>   |
| SAE Net Horsepower @ RPM            | HP2   |
| Engine Type                         | Engine_Type   |
| Corrosion Years                     | Corrosion Years   |
| Corrosion Miles/km                  | Corrosion Miles   |
| EPA_Class                           | EPA Class   |
| Body_Stype                          | Body Style  |
| Front_Wheel_Mat                     | Front Wheel Material                                      |
| Rear_Wheel_Mat                      | Rear Wheel Material                                       |
|                                     | Passenger Capacity  |
| Psg_Cp Psg_Doors                    | Passenger Doors   |
| 0-                                  | 6   |
| Basic_Miles                         | Basic Miles/km  |
| Basic_Year                          | Basic Years   |
| Drivetrain_Miles                    | Drivetrain Miles/km                                       |
| Drivetrain_Years                    | Drivetrain Years  |
| Road_Assist_Miles                   | Roadside Assistance Miles/km                              |
| Road_Assist_Years                   | Roadside Assistance Years                                 |
| Max_Alt_Cp                          | Maximum Alternator Capacity (amps)                        |
| Maint_Miles                         | Maintenance Miles/km                                      |
| Maint_Year                          | Maintenance Years   |
| Max_Alt_Watts                       | Maximum Alternator Watts                                  |
| Other_Features                      | Other Features  |
| -                                   |   |