#### **Project**

- **Objective:** is to study the rental prices on GTA properties listed on trebhome.com, thus to find out which one is the best for investment.
- **Application:** The result of this study might be used by investors for their housing investments.
- As an investor, answer questions like
- 1. What is the best rental price for the property? If too low, no profit gain; if too high, the property may not be rented.
- 2. What is the best property that I need to buy for investment based on the predicted rental price?

```
library(ggplot2)
library(tidyverse)
library(dplyr)
library(scales)
library(rpart)
library(rpart.plot)
library(randomForest)
library(caret)
library(Metrics)
library(ggthemes)
# Load data
rm(list=ls())
df<-read.csv(file.choose())</pre>
# Check data structure and summary
dim(df)
[1] 3164 6
> str(df)
                   3164 obs. of 6 variables:
'data.frame':
       : Factor w/ 2967 levels "","C4230142",..: 2317 2654 2536 355 2460 2311 2389 2535 2284 2829
$ Address : Factor w/ 2946 levels "","1 Aberfoyle Cres 1109, Toronto",..: 2163 1171 1348 1310 950 162
7 2675 1347 925 2227 ...
$ Bedrooms: int 1113115111...
$ Bathrooms: int 1111113111...
        : Factor w/ 99 levels "","Att/Row/Twnhouse 2-Storey",..: 75 4 81 33 28 19 33 81 88 19 ...
$ Price : int 650 700 700 799 800 800 800 800 950 1000 ...
> summary(df)
                                                  Bathrooms
    ld
                         Address
                                     Bedrooms
                                                                              Type
C4311344: 2 101 Peter St 516, Toronto : 3 Min. :1.0 Min. :1.000 Condo Apt Apartment
C4320832: 2 18 Kenaston Gdns 1605, Toronto: 3 1st Qu.:1.0 1st Qu.:1.000 Detached 2-Storey
   : 183
C4322238: 2 55 Stewart St 932, Toronto : 3 Median :2.0 Median :1.000 Detached Bungalow
   : 112
C4327202: 2 65 St Mary St 2503, Toronto : 3 Mean :2.1 Mean :1.626 Comm Element Condo
Apartment: 56
C4327328: 2 1 Arundel Ave Main, Toronto : 2 3rd Qu.:3.0 3rd Qu.:2.000 Semi-Detached 2-Store
y : 54
```

```
C4329247: 2 1 Bloor St E 1603, Toronto : 2 Max. :8.0 Max. :8.000 Condo Townhouse 3-Stor
ev : 48
(Other) :3152 (Other)
                                 :3148 NA's :1 NA's :1
                                                             (Other)
                                                                               : 645
  Price
Min.: 650
1st Qu.: 2150
Median: 2500
Mean : 3001
3rd Qu.: 3200
Max. :22500
NA's :1
# Change datatype
df$Price <- as.numeric(df$Price)
df$Bedrooms <- as.numeric(df$Bedrooms)
df$Bathrooms <- as.numeric(df$Bathrooms)
df$Type <- as.character(df$Type)</pre>
df$Address <- as.character(df$Address)
df$Id<- as.character(df$Id)
# Check duplicates and remove duplicates
duplicated(df$Id)
df <- df[!duplicated(df$Id), ]
dim(df)
# Checking missing values and remove them
colSums(is.na(df)|df==")
df<-df[complete.cases(df),]
# Stats information about the Price, Bedrooms, Bathrooms after duplicates removed
dim(df)
summary(df$Price)
summary(df$Bedrooms)
summary(df$Bathrooms)
> dim(df)
[1] 2966
              6
 summary(df$Price)
                    Median
   Min. 1st Qu.
                                Mean 3rd Qu.
                                                   Max.
             2100
                      2475
                                3022
    650
                                          3200
                                                  22500
> summary(df$Bedrooms)
   Min. 1st Qu.
                    Median
                                Mean 3rd Qu.
                                                   Max.
                               2.104
  1.000
            1.000
                     2.000
                                        3.000
                                                  8.000
> summary(df$Bathrooms)
   Min. 1st Qu.
                                Mean 3rd Qu.
                    Median
                                                   Max.
  1.000
            1.000
                     1.000
                               1.634
                                        2.000
                                                  8.000
# Change datatype of Bedrooms and Bathrooms for plotting
```

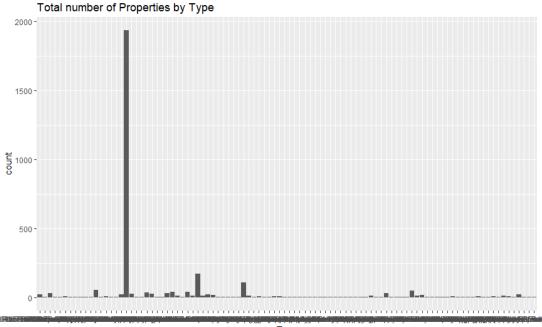
df\$Bedrooms <- as.character(df\$Bedrooms)
df\$Bathrooms <- as.character(df\$Bathrooms)</pre>

# Count the total number of properties by type df %>% group\_by(Type) %>% summarize(count=n())

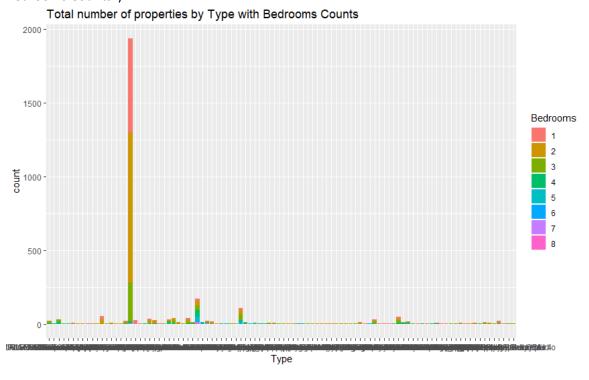
Type	32 3 2 6 1	
<pre># List unique Type : total 98 types unique(df\$Type) &gt; unique(df\$Type) [1] "Semi-Detached 2-Storey"</pre>		"Att/Row/Twnhouse 3-Storey"
"Semi-Detached Backsplit 5" [4] "Detached 2-Storey"		"Condo Townhouse 3-Storey"
"Condo Apt Apartment"	"	-
<pre>[7] "Store W/Apt/Offc Apartment" "Multiplex Apartment"</pre>		"Lower Level Bachelor/Studio"
<pre>[10] "Detached Bungalow"   "Att/Row/Twnhouse 2-Storey"</pre>		"Att/Row/Twnhouse Apartment"
[13] "Fourplex Apartment" "Semi-Detached Other"		"Shared Room Apartment"
[16] "Detached 1 1/2 Storey"		"Triplex Apartment"
"Upper Level Apartment" [19] "Detached Bungalow-Raised"		"Detached Apartment"
"Lower Level 2 1/2 Storey" [22] "Semi-Detached Bachelor/Stud	dio"	"Detached Bungaloft"
"Multiplex Bachelor/Studio"		-
<pre>[25] "Room 3-Storey"  "Detached Bachelor/Studio"</pre>		"Lower Level 1 1/2 Storey"
[28] "Semi-Detached Apartment" "Multiplex 3-Storey"		"Lower Level 2-Storey"
[31] "Duplex 2-Storey"		"Semi-Detached Bungalow"
"Lower Level Bungalow-Raised" [34] "Upper Level Bachelor/Studio	o"	"Store W/Apt/Offc 2-Storey"
"Other Apartment" [37] "Condo Townhouse Stacked St	wnhse"	"Detached 2 1/2 Storey"
"Condo Apt Bungalow" [40] "Lower Level Apartment"		"Condo Apt Bachelor/Studio"
"Lower Level Bungalow" [43] "Semi-Detached Bungalow-Rai:	sed"	"Detached Sidesplit 4"
"Detached Backsplit 3" [46] "Comm Element Condo Apartme	nt"	"Detached 3-Storey"
"Co-Ownership Apt Bachelor/Stud [49] "Semi-Detached 3-Storey" "Detached Backsplit 4"	dio"	"Lower Level Backsplit 4"

[52] "Semi-Detached 2 1/2 Storey" "Triplex 2-Storey" "Duplex 2 1/2 Storey" [55] "Comm Element Condo Multi-Level" "Condo Apt Loft" "Condo Apt Multi-Level" [58] "Condo Townhouse 2-Storey" "Other Multi-Level" "Co-Op Apt Apartment" [61] "Detached Other" "Duplex Bungalow" "Semi-Detached 1 1/2 Storey" [64] "Upper Level 2-Storey" "Upper Level Backsplit 4" "Upper Level 3-Storey" [67] "Triplex 1 1/2 Storey" "Condo Townhouse Apartment" "Condo Apt Stacked Townhse" [70] "Condo Apt 2-Storey" "Duplex Apartment" "Att/Row/Twnhouse 2 1/2 Storey" "Upper Level Other" [73] "Detached Sidesplit 3" "Co-Ownership Apt Apartment" [76] "Multiplex 2-Storey" "Triplex 3-Storey" "Store W/Apt/Offc 3-Storey" [79] "Co-Ownership Apt 2-Storey" "Detached Backsplit 5" "Condo Apt Other" [82] "Condo Townhouse Multi-Level" "Duplex 3-Storey" "Other 2-Storey" [85] "Comm Element Condo Stacked Townhse" "Fourplex 3-Storey" "Comm Element Condo Loft" [88] "Fourplex 1 1/2 Storey" "Other Other" "Att/Row/Twnhouse Other' [91] "Fourplex 2-Storey' "Store W/Apt/Offc Other" "Comm Element Condo Other" [94] "Semi-Detached Backsplit 3" "Detached Sidesplit 5" "Condo Apt Industrial Loft" [97] "Comm Element Condo 2-Storey" "Comm Element Condo 3-Storey"

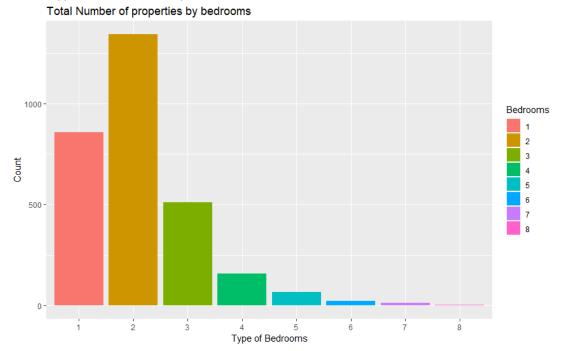
# Visualize the total number of properties by Type ggplot(data=df)+geom\_bar(aes(x=Type))+ggtitle("Total number of Properties by Type")



# Visualize the total number of properties by Type with fill "Bedrooms" ggplot(data=df)+geom\_bar(aes(x=Type,fill=Bedrooms))+ggtitle("Total number of properties by Type with Bedrooms Counts")

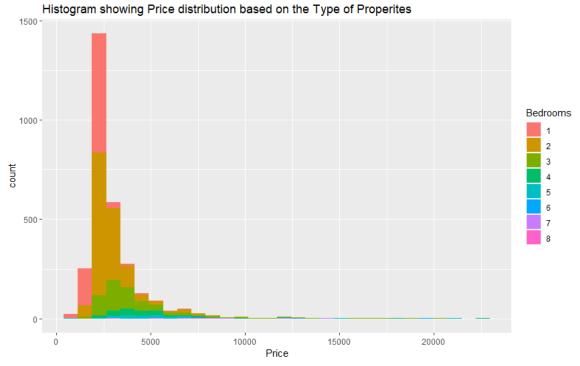


# Visualize the number of properties by Bedrooms ggplot(data = df, aes(x= Bedrooms, fill = Bedrooms))+ geom\_bar()+ggtitle("Total Number of properties by bedrooms")+ xlab("Type of Bedrooms")+ ylab("Count")

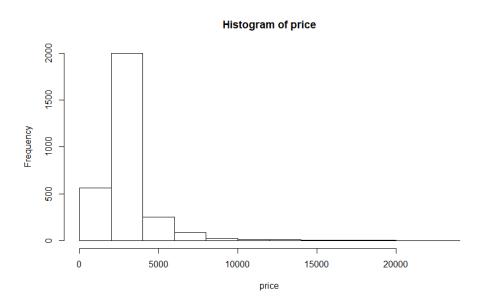


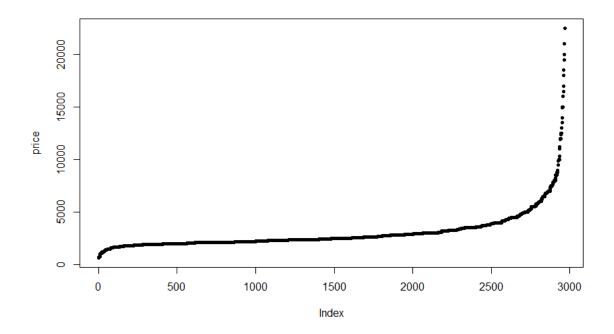
# Histogram visualize Price distribution based on type of properties ggplot(data = df, aes(x= Price, bins=10, fill= Bedrooms))+ geom\_histogram()+

ggtitle("Histogram showing Price distribution based on the Type of Properites")

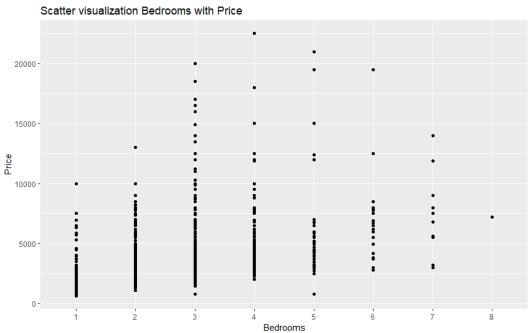


# Overlook Price distribution price<-sort(df\$Price) hist(price) # price lower to higher plot(price,pch=20) abline(2000000,0)

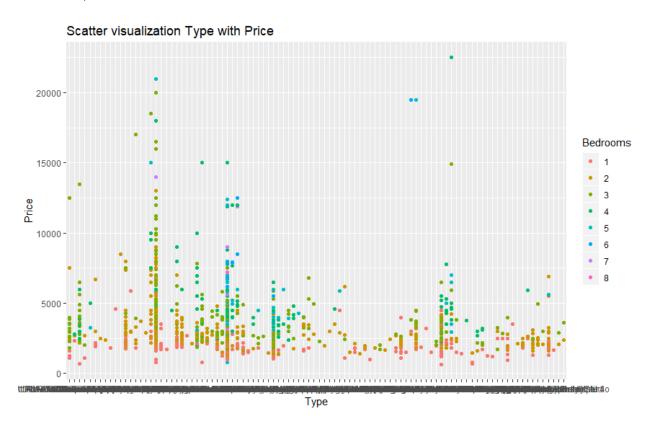




# Visualize Price with Bedrooms ggplot(data = df, aes(x=Bedrooms, y=Price))+geom\_point()+ggtitle("Scatter visualization Bedrooms with Price")

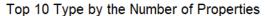


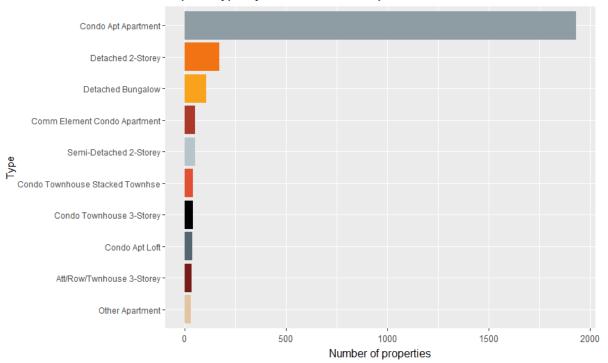
# # Visualize Price with Type ggplot(data=df)+geom\_point(aes(x=Type,y=Price,color=Bedrooms))+ggtitle("Scatter visualization Type with Price")

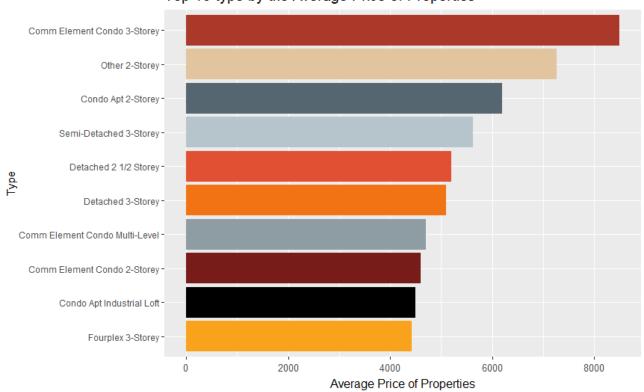


```
# Settings
mycolors <- c("#771C19", "#AA3929", "#8E9CA3", "#556670", "#000000",
       "#E25033", "#F27314", "#F8A31B", "#E2C59F", "#B6C5CC",
       "#99CCCC","#FFCC99")
mytheme <- theme(axis.text.x = element text(angle = 90, size = 10, vjust = .4),
         plot.title = element_text(size = 15, vjust = 2),
         axis.title.x = element text(size = 12, vjust = -.35))
mytheme2 <- theme(axis.text.x = element text(size = 10, vjust = .4),
         plot.title = element text(size = 15, vjust = 2),
         axis.title.x = element_text(size = 12, vjust = -.35))
# Top 10 Type by the Number of Properties
top10_type <- df %>% group_by(Type) %>%
summarise(Number = n()) %>%
arrange(desc(Number)) %>%
head(10)
ggplot(top10 type, aes(reorder(Type, Number), Number, fill = Type))+
geom_bar(stat = "identity")+mytheme2+
```

```
theme(legend.position = "none")+
labs(x = "Type", y = "Number of properties",
    title = "Top 10 Type by the Number of Properties")+
scale_fill_manual(values = mycolors)+
coord_flip()
```







Top 10 type by the Average Price of Properties

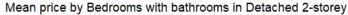
# Summarize the Price with Type, Bedrooms, Bathrooms and Look at Price Trend df1<-df%>% group\_by(Type,Bedrooms,Bathrooms)%>% summarize(mean\_price=mean(Price,na.rm=TRUE)) write.csv(df1, file = "Summary\_Type\_Beds\_Baths.csv",row.names=TRUE) #see output "Summary\_type\_Beds\_Baths.csv" file

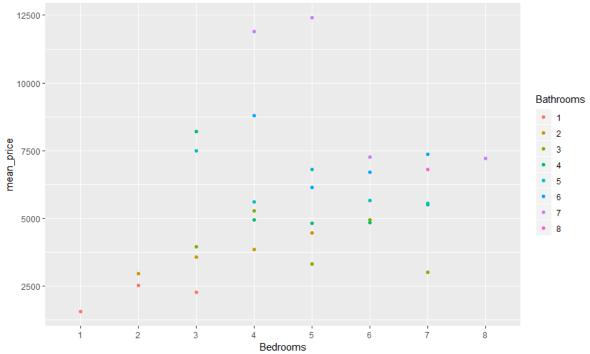
# Look the price trend in Type in "Detached 2-storey"

df1 %>%

filter(Type=="Detached 2-Storey")%>%

ggplot(aes(x=Bedrooms,y=mean\_price))+geom\_point(aes(color=Bathrooms))+geom\_smooth(se=FALSE)
+ ggtitle("Mean price by Bedrooms with bathrooms in Detached 2-storey")





# Summarize the Price with Bedrooms, Bathrooms and Look at Price Trend df2<-df1%>%
group\_by(Bedrooms,Bathrooms)%>%
summarize(mean\_price1=mean(mean\_price,na.rm=TRUE))
write.csv(df2, file = "Summary\_Beds\_Baths.csv",row.names=TRUE)
# see output "Summary\_Beds\_Baths.csv" file

# Summarize the Price with Bedrooms and Look at Price Trend df3<-df1%>% group\_by(Bedrooms)%>% summarize(mean\_price2=mean(mean\_price,na.rm=TRUE)) write.csv(df3, file = "Summary\_Beds.csv",row.names=TRUE) #See output"Summary\_Beds.csv"file

# Modelling Building

# Decision Tree and Random Forest

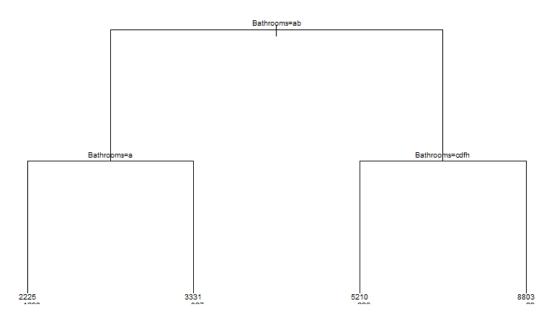
# Compare perfromance of a single decison tree and random forest with 500 trees towards predicitng rental Price.

#Split Dataset into train(80%) and test(20%) set.seed(12345) d<-sample(x=nrow(df),size=nrow(df)\*0.8) tree train<-df[d,]

```
tree test<-df[-d,]
dim(tree_train)
dim(tree test)
colnames(df)
sum(is.na(df))
> dim(tree_train)
[1] 2372
> dim(tree_test)
[1] 594
> colnames(df)
[1] "Id"
                "Address"
                             "Bedrooms" "Bathrooms" "Type"
                                                                  "Price"
> sum(is.na(df))
[1] 0
# Decision Tree
fit <- rpart(Price ~ Bedrooms + Bathrooms,data=tree train)
printcp(fit)
rsq.rpart(fit)
summary(fit)
Regression tree:
rpart(formula = Price ~ Bedrooms + Bathrooms, data = tree_train)
Variables actually used in tree construction:
[1] Bathrooms
Root node error: 6696755621/2372 = 2823253
n = 2372
        CP nsplit rel error xerror
1 0.298086 0 1.00000 1.00061 0.115491
2 0.091923
                1
                    0.70191 0.70341 0.080966
3 0.049537
                   0.60999 0.61177 0.079485
4 0.010000
                3
                    0.56045 0.57176 0.069251
> rsq.rpart(fit)
Regression tree:
rpart(formula = Price ~ Bedrooms + Bathrooms, data = tree_train)
Variables actually used in tree construction:
[1] Bathrooms
Root node error: 6696755621/2372 = 2823253
n = 2372
        CP nsplit rel error xerror
                    1.00000 1.00061 0.115491
1 0.298086
                0
2 0.091923
                    0.70191 0.70341 0.080966
                1
3 0.049537
               2
                    0.60999 0.61177 0.079485
               3
                   0.56045 0.57176 0.069251
4 0.010000
> summary(fit)
call:
```

```
rpart(formula = Price ~ Bedrooms + Bathrooms, data = tree_train)
  n = 2372
          CP nsplit rel error
                                 xerror
                                               xstd
1 0.29808612
                  0 1.0000000 1.0006110 0.11549110
2 0.09192337
                  1 0.7019139 0.7034103 0.08096581
3 0.04953719
                  2 0.6099905 0.6117734 0.07948481
4 0.01000000
                  3 0.5604533 0.5717643 0.06925078
Variable importance
Bathrooms Bedrooms
       77
Node number 1: 2372 observations,
                                      complexity param=0.2980861
  mean=2975.414, MSE=2823253
  left son=2 (2117 obs) right son=3 (255 obs)
  Primary splits:
      Bathrooms splits as LLRRRRRR, improve=0.2980861, (0 missing)
      Bedrooms splits as LLRRRRRR, improve=0.1989460, (0 missing)
  Surrogate splits:
      Bedrooms splits as LLLRRRRR, agree=0.929, adj=0.341, (0 split)
Node number 2: 2117 observations,
                                      complexity param=0.09192337
  mean=2657.027, MSE=1012126
  left son=4 (1290 obs) right son=5 (827 obs)
  Primary splits:
      Bathrooms splits as LR-----, improve=0.2872997, (0 missing)
      Bedrooms splits as LRRRRR--, improve=0.1353624, (0 missing)
  Surrogate splits:
      Bedrooms splits as LLRRRR--, agree=0.731, adj=0.312, (0 split)
Node number 3: 255 observations,
                                     complexity param=0.04953719
  mean=5618.651, MSE=1.003089e+07
  left son=6 (226 obs) right son=7 (29 obs)
  Primary splits:
      Bathrooms splits as --LLRLRL, improve=0.12969290, (0 missing)
      Bedrooms splits as LLLLRRRR, improve=0.01167821, (0 missing)
  Surrogate splits:
      Bedrooms splits as LLLLLLR, agree=0.89, adj=0.034, (0 split)
Node number 4: 1290 observations
  mean=2225.267, MSE=228694.2
Node number 5: 827 observations
  mean=3330.51, MSE=1489802
Node number 6: 226 observations
  mean=5210.075, MSE=7023888
Node number 7: 29 observations
  mean=8802.724, MSE=2.202548e+07
# plot a single decision tree
plot(fit, uniform=TRUE,main="Decision Tree for GTA renting Properties")
text(fit,use.n=TRUE,cex=.6)
# prune the tree
```

## **Decision Tree for GTA renting Properties**



```
n = 2372
node), split, n, deviance, yval
      * denotes terminal node
1) root 2372 6696756000 2975.414
  2) Bathrooms=1,2 2117 2142670000 2657.027
    4) Bathrooms=1 1290 295015500 2225.267 *
    5) Bathrooms=2 827 1232066000 3330.510 *
  3) Bathrooms=3,4,5,6,7,8 255 2557876000 5618.651
    6) Bathrooms=3,4,6,8 226 1587399000 5210.075 *
    7) Bathrooms=5,7 29 638738800 8802.724 *
# Model Validation
# Calculating accuracy:rmse or mae
test_predictions<-predict(fit,tree_test)</pre>
rmse_decision_tree<-rmse(actual=tree_test$Price,predicted=test_predictions)</pre>
mae_decision_tree<-mae(actual=tree_test$Price,predicted=test_predictions)</pre>
# Random Forest:
model <- randomForest(Price ~ Bedrooms + Bathrooms,data = tree_train,ntree=50</pre>
0)
#Plot Variable of Importance
varImpPlot(model)
#Model Validation (calculating accuracy:rmse or mae)
summary(model)
forest_predictions <- predict(model, tree_test)</pre>
```

```
rmse_random_forest<-rmse(actual=tree_test$Price,predicted=forest_predictions)</pre>
mae_random_forest<-mae(actual=tree_test$Price.predicted=forest_predictions)</pre>
#Comparing the Errors (MAE)of decision tree and random forest
print(rmse_decision_tree)
print(rmse_random_forest)
print(mae_decision_tree)
print(mae_random_forest)
> #Comparing the Errors (MAE)of decision tree and random forest
> print(rmse_decision_tree)
[1] 1910.903
> print(rmse_random_forest)
[1] 1838.928
> print(mae_decision_tree)
[1] 882.7005
> print(mae_random_forest)
[1] 838.6105
# Conclusion: It can be concluded random forest performs better than a single
 decision tree.
# Regression Model to predict rental price
rent regression <- select(df,-c(Id,Address,Type))
rent regression$Bedrooms <- as.numeric(rent regression$Bedrooms)</pre>
rent regression$Bathrooms <- as.numeric(rent regression$Bathrooms)</pre>
#Split dataset for Regression Model
set.seed(1)
d<-sample(x=nrow(rent regression),size=nrow(df)*0.8)
regression train<-rent regression[d,]
regression test<-rent regression[-d,]
dim(regression_train)
dim(regression_test)
colnames(rent regression)
str(rent regression)
#Linear regression (adjusted R = 0.4113)
linear model1 <- Im(Price ~., data = regression train)
summary(linear model1)
#set graphic output
par(mfrow=c(2,2))
# Create residual plots
plot(linear_model1)
> summary(linear_model1)
lm(formula = Price ~ ., data = regression_train)
Residuals:
```

```
Min 1Q Median 3Q Max -4406.4 -542.0 -105.7 213.6 15260.5
```

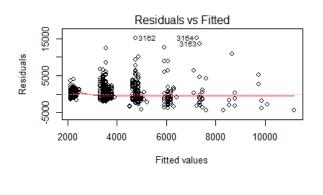
### Coefficients:

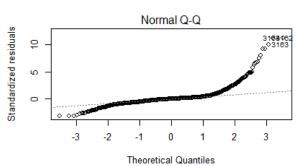
Estimate Std. Error t value Pr(>|t|)<2e-16 \*\*\* 64.97 12.787 (Intercept) 830.75 40.31 2.961 0.0031 \*\* Bedrooms 119.35 Bathrooms 1186.27 47.39 25.033 <2e-16 \*\*\*

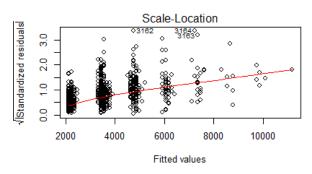
---

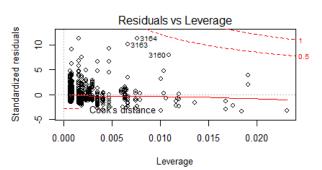
Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 1355 on 2369 degrees of freedom Multiple R-squared: 0.4118, Adjusted R-squared: 0.4113 F-statistic: 829.4 on 2 and 2369 DF, p-value: < 2.2e-16









# To overcome heteroskedasiticity with building log(Price) (Adjusted R-squared:0.487) linear\_model2 <- Im(log(Price)~., data = regression\_train) summary(linear\_model2) plot(linear\_model2) #(Adjusted R obtained =0.4870)

test predictions<-predict(linear model2,data = regression test)

test\_predictions<-exp(test\_predictions)</pre>

rmse(actual=regression\_test\$Price,predicted=test predictions)

## > summary(linear\_model2)

#### call.

lm(formula = log(Price) ~ ., data = regression\_train)

### Residuals:

Min 1Q Median 3Q Max -1.78924 -0.14093 -0.02291 0.10311 1.60711

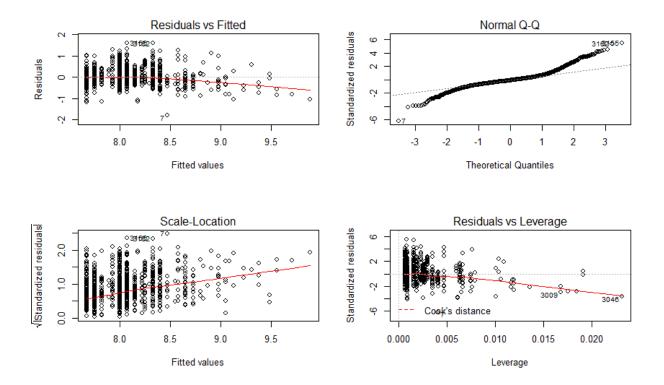
#### Coefficients:

Estimate Std. Error t value Pr(>|t|)
(Intercept) 7.34605 0.01389 528.679 <2e-16 \*\*\*
Bedrooms 0.07407 0.00862 8.593 <2e-16 \*\*\*
Bathrooms 0.25249 0.01013 24.912 <2e-16 \*\*\*

---

Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.2897 on 2369 degrees of freedom Multiple R-squared: 0.4874, Adjusted R-squared: 0.487 F-statistic: 1126 on 2 and 2369 DF, p-value: < 2.2e-16



> rmse(actual=regression\_test\$Price,predicted=test\_predictions)
[1] 2312.589

# It shows linear\_model2 is better than linear\_model1. Linear\_model 2 has Adjusted R-squared: 0.487, p-value: < 2.2e-16.

#The relationship shows price with bedrooms and bathrooms is log(Price)=0.07407\*number of Bedrooms +0.25247\* number of Bathrooms +7.34605.

This shows that the number of Bedrooms has stronger positive relationships with the renting Price than the number of bathrooms.

# Aim of this analysis is to answer a question of "Which ones are the best for investments?"

- # Finding "BEST" is hard and it is subjective matter.
- # Therefore, rather than concluding which ones are the best for investments,
- # it is much wiser to perform further research about the area Toronto
- # since in this analysis we are missing some potentially important variables
- # related to properties. It is possible that the properties have higher rental prices because of low crime rate, convenient transportation, and higher standard interior decorations of property etc.

Below is the GTA statistics information about renting market and household expenditures on shelters shown on the map .

