

Price Predictions on Airbnb Accomodations in Oslo, Norway

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Introduction

Aims of this work:

- ▶ Establish a deep learning approach to predict the price of an accomodation per night
- ▶ Focus on explainability and interpretability

→ Underlying data: provided by Airbnb, contains various information about the listings in Oslo, Norway

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Feature Engineering: Images

- ▶ Use transfer learning on a pretrained CNN (ResNet18) with the first 5 images per listing as input data
- ▶ Added Fully Connected Network at the end containing three layers and ReLU activation functions to be sure the CNN is able to generalize
- ▶ Also implemented CNN manually as a benchmark model to compare the results

Results:

- ▶ pretrained ResNet18 achieved a Mean Absolute Error of 579 NOK (approx. 58 Euros) on the Validation Set
- ▶ But correlation of the CNN predictions with the true price is 0.41

Image Predictions

True Price: 850
Predicted Price: 730



True Price: 650
Predicted Price: 763



True Price: 426
Predicted Price: 633



True Price: 500
Predicted Price: 665



True Price: 1500
Predicted Price: 843



True Price: 650
Predicted Price: 607



True Price: 1050
Predicted Price: 668



True Price: 924
Predicted Price: 786



Figure: CNN example predictions

Feature Engineering: Reviews

- ▶ Language: Detect language of each review
- ▶ Sentiment analysis: Get the sentiment of each review

New features per listing:

1. Number of reviews
2. Median review length
3. Number of different languages of the reviews as well as a list of the different languages
4. Fraction of Norwegian and English reviews
5. Ratio of negative reviews to the total number of reviews

Wordclouds of the Reviews

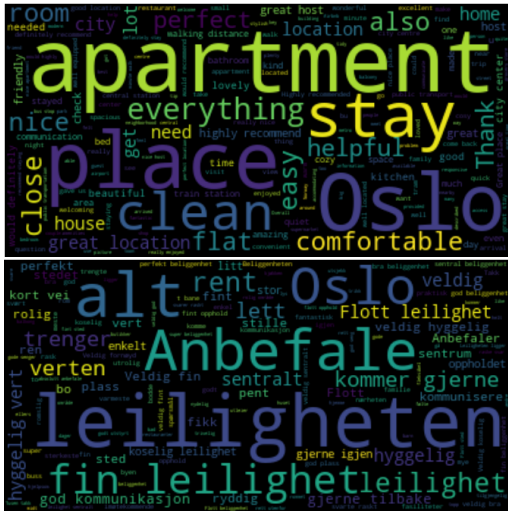


Figure: Wordclouds in English and Norwegian

Feature Selection & Data Cleaning

Feature Selection:

1. Manually selected features based on background knowledge, correlation analysis and the number of missing values
2. Adjusted these features by analyzing the results of different feature selection algorithms and fitted auxiliary linear regression

Data Cleaning:

- ▶ Converting data types
- ▶ Splitting text-based variables into more convenient numeric or boolean features
- ▶ Aggregating rare categories of categorical variables into one larger *Other* group to stabilize estimation
- ▶ One-Hot encoding of categorical variables and standardization of numerical variables

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Classical Models

1. **Linear Regression:** simple, well understood in terms of underlying theory and highly interpretable.
2. **Ridge Regression:** still very interpretable with a closed form analytical solution; one hyperparameter
3. **Random Forest:** very flexible model with many hyperparameters determining e.g. the number of regression trees and the tree depth, but can be applied to many contexts and often works 'out of the box'
4. **Histogram-Based Gradient Boosting:** modern and fast tree-based gradient boosting algorithm; large number of tunable hyperparameters

Neural Network: Model Architecture

- ▶ linear input layer (about 60 features)
- ▶ 6 intermediary **blocks** with 64, 128, 256, 128, 64 and 8 output features:
 - residual connection
 - linear layer with BatchNorm, ReLU activation function and dropout
- ▶ 1 output neuron

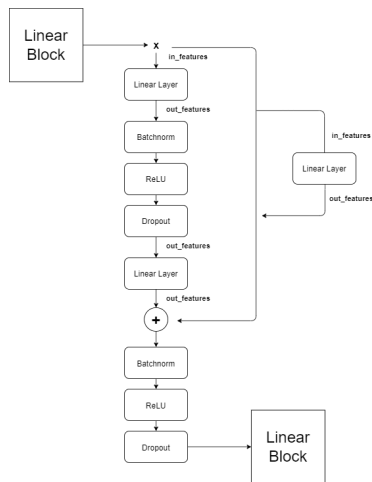


Figure: Linear Block in the FC-NN

Neural Network: Model Training

- ▶ Adam optimizer with learning rate set to 0.01
- ▶ Loss function: *Mean Squared Error Loss*
- ▶ Epochs:

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Test - Slide 1

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Test - Slide 2

Thanks for listening!

Questions?