

Question 1

What is the optimal value of alpha for ridge and lasso regression? What will be the changes in the model if you choose double the value of alpha for both ridge and lasso? What will be the most important predictor variables after the change is implemented?

What is the optimal value of alpha for ridge and lasso regression?

Ridge: 100

Ridge after RFE: 20

Lasso: 0.001

What will be the most important predictor variables after the change is implemented?

For all the models, the training score has decreased slightly and the testing score has increased slightly. The change is most noticeable for Ridge after RFE. Here, the changes were the largest, so that the gap between train and test data is the smallest.

What will be the most important predictor variables after the change is implemented?

'GrLivArea', 'OverallQual', 'TotalBsmtSF', 'OverallCond', 'YearBuilt' are the most important predictor variables

Important predictors Lasso: Double Alpha after removing most important predictor variables:

GrLivArea :0.136554

MSZoning_RL 0.082801

TotalBsmtSF 0.073171

MSZoning_RM 0.069009

GarageCars0.042671

Question 2

You have determined the optimal value of lambda for ridge and lasso regression during the assignment. Now, which one will you choose to apply and why?

The r^2 score is slightly higher for Lasso and the gap between training and testing is slightly lower. Hence, I would choose lasso. Lasso helps in reducing the features in the model, helping to create a simpler final model. This is important for creating a robust and generalisable model, as discussed in question 4. It also has the lowest residual sum of squares of all of the created models.

Question 3

After building the model, you realised that the five most important predictor variables in the lasso model are not available in the incoming data. You will now have to create another model excluding the five most important predictor variables. Which are the five most important predictor variables now?

The top predictor variables are: 'GrLivArea', 'OverallQual', 'TotalBsmtSF', 'OverallCond', 'YearBuilt'

GrLivArea	0.128699
OverallQual	0.065720
TotalBsmtSF	0.048404
YearBuilt	0.043924
OverallCond	0.043844

After removing them, the predictor variables are:

BsmtFinSF1	0.141907
BsmtUnfSF	0.119401
MSZoning_RL	0.085257
2ndFlrSF	0.085078
MSZoning_RM	0.071878

The predictor variables remain the same, with a slightly different order for Lasso applied to the RFE created variables.

GrLivArea	0.136554
MSZoning_RL	0.082801
TotalBsmtSF	0.073171
MSZoning_RM	0.069009
GarageCars	0.042671

It is noticeable that the top predictor variables are rather in line with the variables that I would intuitively consider important for prediction of Sales Price. Without them, the intuition I had does not carry to the new variables.

Question 4

How can you make sure that a model is robust and generalisable? What are the implications of the same for the accuracy of the model and why?

Generalisation is important and test accuracy needs to be higher than the training score. However, the difference should not be exceedingly high. The model should generalise during training, but if the score is very high in training, and lower in testing, it means that the model has memorised the data, meaning that it is overfitting. Overall, there should not be large differences between the results. Low test scores could result from splitting the data set too early in the preprocessing step, so that some steps may be missed on the test data. Robustness of a model is generally not solely based on high test scores, but also depends on the assumption that the train scores are higher than the test scores. Both scores have to be high enough to be acceptable for the specific business case and expectations of the model.

It is also important to consider the values obtained for train and test, so that the model will perform well on unseen data. This means that the data should retain some outliers to help with predictions. As demonstrated in the assignment, accuracy of the model will vary, depending on the way data is processed and how features are selected. There may be no perfect model, but different steps are available to ensure that the model developed is fit for purpose for the specific context and the uniqueness of the business case.

This is in line with Occam's razor, that is, the model to be chosen should not be more complex than it needs to be.