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Problem

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Interpreting the regression coefficients

QUESTION

A real estate company wants to study the relationship between house sales prices and some important predictors of sales prices. Based on data from recently sold homes in the area, the variables

y = sales price (in thousands of dollars)

x_1 = total floor area (in square feet)

x_2 = number of bedrooms

x_3 = distance to nearest high school (in miles)

are used in a multiple regression model. The estimated model is

$$\hat{y} = 177 + 0.087x_1 + 17x_2 - 6x_3$$

Answer the following questions for the interpretation of the coefficient of x_3 in this model.

Holding the other variables fixed, what is the average change in sales price for each additional mile from a house to the nearest high school?		dollars
Is this change an increase or a decrease?	☐ increase ☒ decrease	

$$6 \times 1000 = 6000$$

Since it's negative
it is a decrease

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