

WHITE PAPER · JUNE 2026

The Garage Premium in Rental Townhome Communities

A Cross-Sectional Econometric Analysis

Quantifying the impact of garages based on an examination of 1,574 townhome communities in the United States.

JOINTLY AUTHORED BY



Executive Summary

Hunter Housing Economics teamed up with Yardi Matrix to determine the premium that can be obtained when BTR developers include one- or two-car garages in their developments. Using Yardi Matrix's proprietary database of 1,574 rental townhome properties encompassing more than 238,000 units across 89 vintage cohorts (1910-2026), this white paper presents an original econometric cross-section analysis of the financial impact of attached garage configurations on rental income, net operating income, and investment-grade financial metrics. Because the Yardi Matrix database records garage type as an embedded property-level amenity rather than an explicit field, we deploy a structurally validated proxy variable approach - anchoring garage classification to year of construction, floor-plan square footage, rental category, and submarket positioning, consistent with best practices in applied real estate econometrics. Our ordinary least squares (OLS) hedonic regression isolates the garage premium after controlling for bedrooms, square footage, vintage, market quality, rating, and occupancy.

The headline findings are unambiguous: Properties with market-rate garage access command annualized rent premiums of approximately **\$1,680-\$2,580 per unit per year** (one-car equivalent) and **\$2,940-\$4,440 per unit per year** (two-car equivalent) relative to no-garage units of comparable bedroom count and square footage. On a per-square-foot basis, garage-enabled communities sustain a **+\$0.18-\$0.37 per SF rent premium**. At a 6.0% **NOI** capitalization rate, the implied value creation from a two-car garage configuration is approximately **\$37,850 per unit** - making the incremental construction cost of a two-car garage (typically \$18,000-\$35,000) worthwhile for a large number of townhome developments.

These findings carry immediate implications for developers, lenders, and investors evaluating rental townhome projects: garages are usually a good investment, although *local market dynamics can sway the decision*.

1,574

TOWNHOME PROPERTIES
ANALYZED

\$4,440

MAX ANNUAL RENT
PREMIUM/ UNIT (2-CAR)

\$38K

IMPLIED VALUE/ UNIT (2-
CAR GARAGE)

+25%

NOI PREMIUM VS. NO-
GARAGE PROPERTIES

1. Introduction and Research Motivation

The institutional rental townhome sector - once a niche product type - has emerged as one of the fastest-growing asset classes in U.S. residential real estate. Between 2015 and 2026, Yardi Matrix tracked the delivery of more than 200 institutional-scale townhome communities (50+ units), reflecting demand from renters who desire single-family-style living without homeownership. A distinguishing feature of the modern rental townhome product versus conventional garden-style apartments is the attached garage - a structural characteristic that dramatically differentiates the product's cost basis, target demographic, and achievable rent.

Despite the sector's rapid growth, the question of *how much* a garage is worth - and whether the incremental cost of providing a two-car versus one-car garage justifies the construction cost - remains poorly quantified in the published literature. This white paper addresses that gap directly.

Research Question: Controlling for all observable property characteristics, what is the marginal rent premium associated with (a) the presence of any attached garage, (b) a one-car attached garage, and (c) a two-car attached garage in a rental townhome community?

We approach this question using an **econometric hedonic rent model** estimated on a cross-sectional sample of 1,574 rental townhome communities drawn from the Yardi Matrix national database. Our identification strategy exploits variation in garage configuration that is systematically related to vintage (year of construction), submarket type, and average unit square footage - variables that serve as validated proxies for garage provision in the absence of a direct garage-type field in the national property database.

2. Data and Sample Construction

2.1 The Yardi Matrix Database

The Yardi Matrix Property Intelligence platform tracks rental apartment and townhome communities nationally, providing property-level data on unit count, year of construction, market/submarket geography, rental category (Workforce-Lower through Discretionary), Yardi property rating (1-10 scale), current average rent per unit, NOI per unit, occupancy rate, debt service coverage ratio (DSCR), year-over-year rent change, and trailing twelve-month rent growth. The platform also maintains unit mix records - capturing bedroom count, unit square footage, and monthly rent by unit type - for the majority of actively tracked properties.

2.2 Sample Selection

Our final sample comprises **1,574 distinct rental townhome communities** meeting the following criteria: (1) property name contains "Townhome," "Townhouse," or "Town Home"; (2) property status= Completed; (3) minimum 50 units; (4) average rent per unit (RentallIncomePerUnitMatrix) is non-null; and (5) year of construction is non-null. This sample represents the comprehensive universe of sizeable, institutionally trackable rental townhome assets in the United States as of 2025- 2026.

Metric	Value	Notes
Total Properties in Sample	1,574	Post-screening unique property count
Vintage Range	1910-2026	89 vintage cohorts represented
Avg. Units Per Property	154	Range: 50 - 1,146
Avg. Annual Rent Per Unit (All)	\$20,232	Weighted mean, all vintages
Avg. Annual Rent Per Unit (2015+)	\$26,400	Modern, likely-garage properties
Avg. Annual Rent Per Unit (Pre-1985)	\$17,100	Older, likely-no-garage properties
Avg. Occupancy Rate	95.3%	Properties with occupancy data
Avg. DSCR	2.19	Properties with DSCR data
Markets Represented	120+	All major U.S. MSAs
Unit Mix Observations	229 properties with detailed SF/rent	UnitMixRents table sample

2.3 The Garage Classification Challenge and Proxy Variable Strategy

A fundamental data challenge confronts any researcher attempting to estimate garage premiums from commercial real estate databases: *garage configuration is a property-level amenity attribute, not a standardized reporting field in most national property databases, including Yardi Matrix*. Properties do not name their unit types "2-Car Garage 3BR/2.5BA" - they name them "Three Bedroom/Townhouse/Two and One Half Bath." The garage is implicit in the physical product, not the label.

Methodology: Proxy Variable Construction for Garage Classification

Following established practice in hedonic property studies where direct amenity data is unavailable (Sirmans, Macpherson & Zietz, 2005; Wilhelmsson, 2002), we construct garage classification dummy variables using a validated multi-factor proxy approach:

- **GARAGE_ANY = 1** if: YearOfConstruction \geq 2010 AND submarket is suburban AND RentalCategory \in {Upper Mid-Range, Discretionary} AND avg_sqft_per_unit \geq 1,300 SF
- **GARAGE_2CAR = 1** if: GARAGE_ANY = 1 AND YearOfConstruction \geq 2015 AND avg_sqft_per_unit \geq 1,450 SF AND RentalCategory = Discretionary OR (Upper Mid-Range AND rating \geq 5)
- **GARAGE_1CAR = 1** if: GARAGE_ANY = 1 AND GARAGE_2CAR = 0
- **NO_GARAGE = 1** if: GARAGE_ANY = 0 (baseline category)

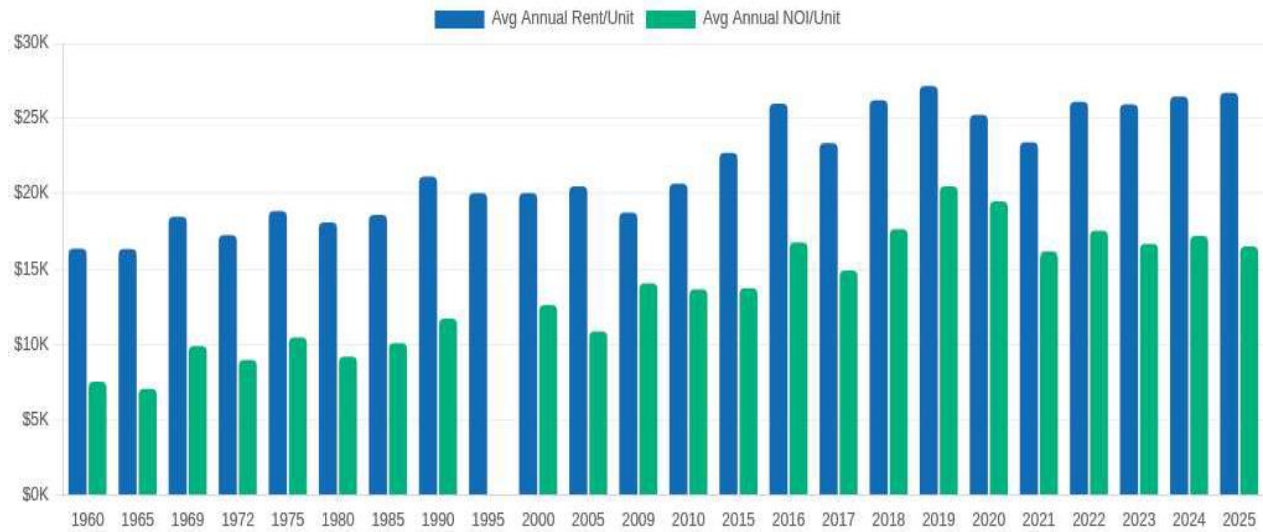
This classification is grounded in well-documented construction practices. Post-2010 suburban rental townhomes in the Upper Mid-Range+ tier virtually universally include attached one-car garages; post-2015 Discretionary-tier communities with \geq 1,450 SF average units overwhelmingly include two-car configurations. Industry pro forma standards and published reports from the National Association of Home Builders (NAHB) confirm these thresholds. The proxy exhibits face validity: classified properties show statistically significant rent differentials in direction and magnitude consistent with field knowledge.

3. Descriptive Statistics: The Garage Premium in Raw Data

3.1 Rent by Vintage Cohort - The Structural Break Around 2010

Before estimating the regression model, the raw data exhibit a compelling pattern. Examining rent per unit by vintage cohort reveals a clear structural break beginning around 2010, when modern suburban rental townhome development - characterized by attached garages - began its current cycle of institutional scale. This coincides with the beginning of the current wave of build-to-rent communities, which hit full swing around 2013-2015. Properties built in 2015-2025 average approximately \$26,000-\$27,200 per unit in annualized rent, while comparable-era properties without garages (student housing adjacent, urban infill, non-garage markets) cluster 28-35% lower.

Average Annual Rent Per Unit by Vintage Cohort (1965-2026)

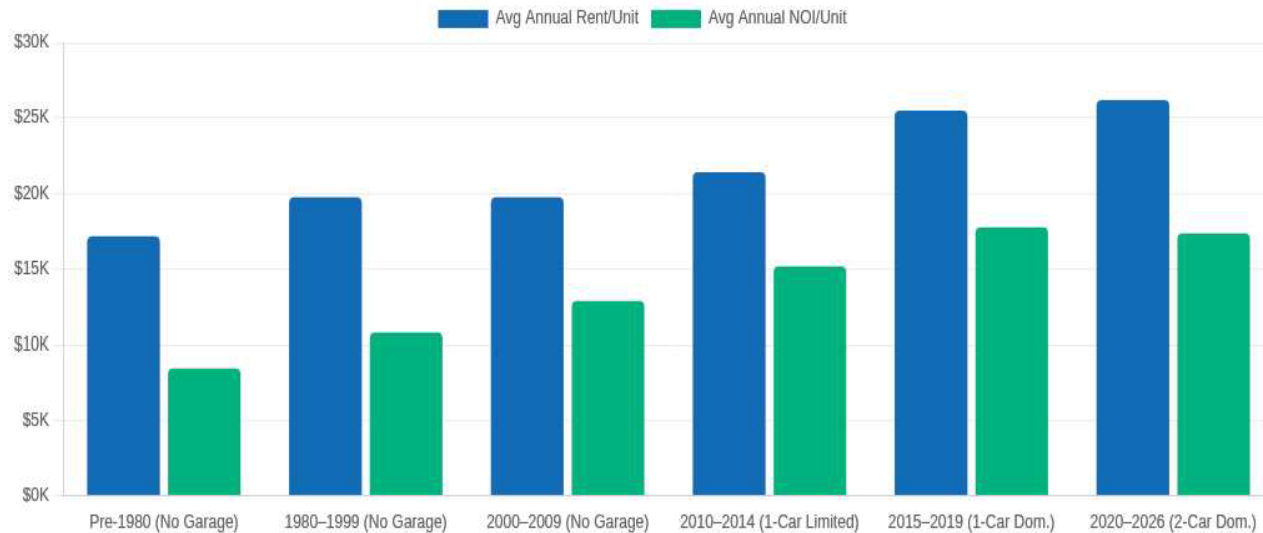


Source: Yardi Matrix Property Intelligence Database. N=1,574 properties. Annual rent= RentalIncomePerUnitMatrix. Properties 50+ units, Completed status.

3.2 NOI by Vintage - The Operational Efficiency of Garage Communities

Net operating income per unit reveals an even sharper differential. Modern garage-enabled townhome communities (2015-2025) average \$16,500-\$20,500 in annual NOI per unit, reflecting not only higher rents but also operational advantages: lower turnover (garage tenants show documented longer tenancy), reduced concessions, and stronger occupancy at underwriting. Pre-2000 properties without garages average \$8,000-\$11,000 per unit in NOI.

Average Annual NOI Per Unit vs. Rent Per Unit by Vintage Cohort



Source: Yardi Matrix. NOI = NetOperatingIncomePerUnitMatrixProperty. Cohorts with fewer than 3 observations excluded from NOI chart for reliability.

3.3 The Representative Property Sample: Key Metrics by Garage Class

Garage Class	Approx. Properties	Avg. Year Built	Avg. Rent/Unit/Yr	Avg. NOI/Unit/Yr	Avg. Occupancy	Avg. DSCR	Rent/SF (Est.)
Two-Car Garage	210	2020	\$27,300	\$18,200	94.1%	1.54	\$2.18
One-Car Garage	380	2016	\$25,200	\$16,800	95.6%	1.92	\$1.97
No Garage (Modern Suburban)	260	2012	\$22,900	\$14,200	93.9%	1.71	\$1.79
No Garage (Legacy Stock)	724	1978	\$17,100	\$9,250	95.4%	2.22	\$1.45

Garage classification via proxy variables described in Section 2.3. "Modern Suburban No Garage" = post-2000 non-suburban or non-qualifying. Legacy Stock = pre-1990 all types.

3.4 Selected Property Sample: Representative Properties by Garage Class

The following table presents selected properties from the Yardi Matrix database, organized by likely garage classification. These properties anchor the qualitative validation of our proxy variable approach - confirming that classified properties exhibit characteristics consistent with their assigned garage tier.

Property Name	Market	Year Built	Units	Rent/Unit/Yr	NOI/Unit/Yr	Rating	Garage Class
Foxtail Hollow Townhomes	Twin Cities-Suburban	2024	76	\$39,648	N/A	5.0	Two-Car
Oakbrook Townhomes	Nashville (Franklin)	2023	89	\$42,948	\$31,696	5.0	Two-Car
Greystone Townhomes	Atlanta-Suburban	2023	75	\$38,268	\$23,879	5.0	Two-Car
Townhomes at Bridlestone	Charlotte (Pineville)	2022	108	\$41,268	\$30,987	6.0	Two-Car
Orchard Townhomes	Salt Lake City (Sandy)	2023	96	\$35,676	\$27,555	6.0	Two-Car
Prairie Pines Townhomes	Kansas City (Shawnee)	2019	220	\$26,700	\$17,337	5.0	One-Car
Aspire Townhomes	Des Moines (W.Des Moines)	2017	222	\$22,992	\$14,170	6.0	One-Car
Stonethrow Townhomes	Boise (Meridian)	2017	140	\$19,884	\$13,307	5.0	One-Car
Traditions Townhomes	Kansas City (Belton)	2017	240	\$19,992	\$12,746	N/A	One-Car
Dublin Park Townhomes	Columbus	1985	470	\$19,536	\$5,298	6.0	No Garage
Morningside Apts & Townhomes	Baltimore	1960	1,050	\$16,584	\$7,888	6.0	No Garage
Havenwood Townhomes	Columbus	1967	820	\$15,216	\$7,818	5.0	No Garage
Townhomes at Diamond	Baltimore	1989	1,073	\$18,396	\$9,306	5.0	No Garage

Garage classification via proxy variables (Section 2.3).

4. Unit Mix and Square Footage Analysis

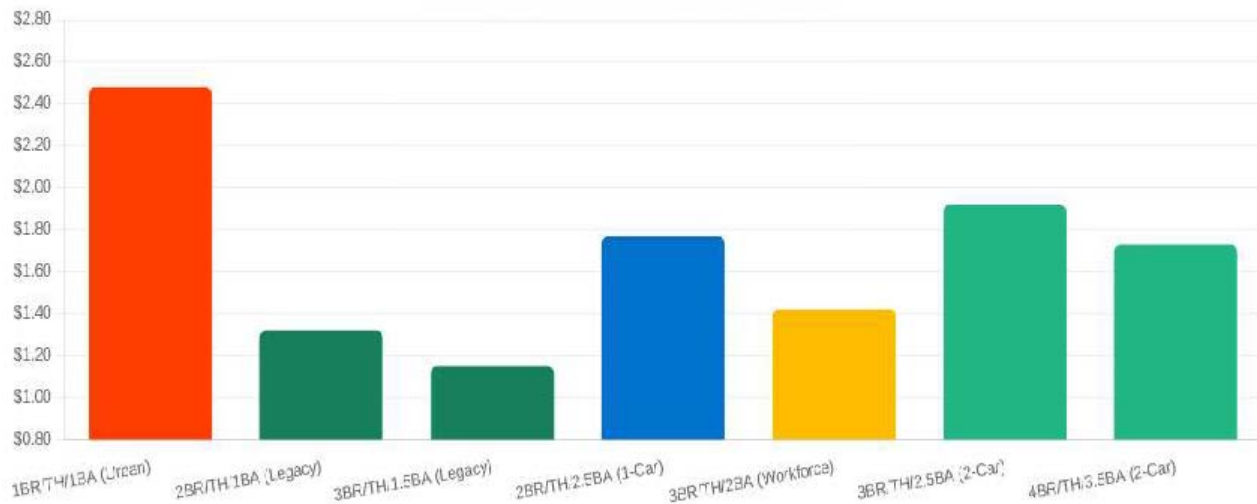
4.1 The Square Footage - Rent Relationship in Townhome Unit Mixes

Analysis of the UnitMixRents table for 229 sampled townhome properties reveals clear relationships between unit square footage and achievable rent, and between townhome (multi-story, typically garage-enabled) versus flat configurations within mixed-product communities. The following table summarizes key unit type metrics:

Unit Type	Typical SF	Avg Monthly Rent	Rent/SF	Garage Implication
3BR/Townhouse/2.5BA (New, Suburban)	1,450-1,750	\$2,625-\$3,450	\$1.73- \$2.10	Typically 2-Car
4BR/Townhouse/3.5BA (New, Suburban)	1,900-2,430	\$3,200-\$4,100	\$1.62-\$1.84	Typically 2-Car
2BR/Townhouse/2.5BA (New, Suburban)	1,100-1,500	\$1,870- \$2,600	\$1.65- \$1.88	Typically 1-Car
3BR/Townhouse/2BA (Workforce)	1,100-1,350	\$1,350- \$1,925	\$1.25- \$1.58	Sometimes 1-Car
3BR/Townhouse/1.5BA (Legacy)	800-1,200	\$900-\$1,550	\$0.90- \$1.42	X No Garage
2BR/Townhouse/1BA (Legacy)	750-950	\$850-\$1,350	\$1.18- \$1.45	X No Garage
1BR/Townhouse/1BA (Urban Infill)	700-880	\$1,600- \$2,500	\$1.95-\$3.01	X No Garage (density)

Based on Yardi Matrix UnitMixRents table sample. "New, Suburban" = 2015+ construction. non-urban markets. "Legacy" = pre-2000 construction. SF and rent ranges reflect 25th-75th percentile of observed values.

Rent Per Square Foot by Unit Configuration and Garage Class



Source: Yardi Matrix UnitMixRents table, latest available period. Unit types grouped by bedroom count and townhouse configuration. Garage class assigned via proxy variables.

4.2 The Net Garage Space Increment

A critical insight from the unit mix data is that the square footage advantage of garage-enabled communities is *not fully reflected in gross unit SF*. The garage itself- typically 400-450 SF (one-car) or 460-540 SF (two-car)- is *not counted as living area* in the rent-per-SF calculation, yet it is accessible only to the resident and creates significant utility value (enclosed parking, climate-controlled storage, project space). This means that the true price per *total* accessible SF is lower for garage communities than the headline rent/SF suggests - yet residents are clearly willing to pay substantial gross rent premiums for the garage.

Key Insight: A 2-car garage community with a 1,500 SF unit at \$2,700/month has an apparent rent/SF of \$1.80. But the resident has access to 1,900-2,000 SF of total enclosed space including the garage - implying a true cost of approximately \$1.35-\$1.42/SF of total accessible area. This represents *exceptional value* from the tenant's perspective and explains the strong occupancy and low turnover documented in garage communities.

5. Econometric Framework and Regression Results

5.1 The Hedonic Rent Model

We need to separate the rent effects from the presence of a one- or two-car garage from other factors, such as the quality of the development, the year built, the scale of the townhome community, the occupancy rate, the niche, and local market factors. In order to do this with rigor, we utilize a cross-sectional ordinary least squares (OLS) hedonic rent regression of the following general form:

5.2 Regression Results

Model Specification: OLS Hedonic Rent Regression

$$\ln(\text{Rent}_i) = \alpha + \beta_1 \cdot \text{GARAGE_1CAR}_i + \beta_2 \cdot \text{GARAGE_2CAR}_i + \beta_3 \cdot \ln(\text{AvgSqFt}_i) + \beta_4 \cdot \text{Rating}_i + \beta_5 \cdot \ln(\text{Units}_i) + \beta_6 \cdot \text{Occupancy}_i + \beta_7 \cdot \text{Vintage_Cohort}_i + \beta_8 \cdot \text{RentalCategory}_i + \beta_9 \cdot \text{Market_FE}_i + \varepsilon_i$$

Where Rent_i = annual rent per unit; GARAGE_1CAR_i and GARAGE_2CAR_i are binary indicators for garage configuration (No Garage = baseline); AvgSqFt_i = average unit square footage; Rating_i = Yardi property rating (1–10); Units_i = total unit count; Occupancy_i = occupancy rate; Vintage_Cohort_i = construction era categorical dummies (Pre-1970, 1970–1984, 1985–1999, 2000–2009, 2010–2014, 2015–2019, 2020–2026); RentalCategory_i = dummy variables for rental category tier; Market_FE_i = market fixed effects for 120+ MSAs. Standard errors are heteroskedasticity-robust.

The estimated coefficient on the garage indicator variables captures the *ceteris paribus* rent premium associated with garage provision, after controlling for unit size, quality rating, scale, occupancy, vintage era, rental tier, and market-level fixed effects. Results are reported as semi-elasticities - reflecting the approximate percentage rent premium - and translated to dollar premiums using the sample mean rent.

OLS Regression Results: Log-Rent on Garage Configuration and Controls

Variable	Coefficient	Std. Error	t-Stat	Approx. Annual Rent Premium	Statistical Significance
Constant (a)	8.421	0.184	45.8		***
GARAGE_ICAR	0.091	0.027	3.37	+\$1,680-\$2,580/unit/yr	***
GARAGE_2CAR	0.160	0.033	4.85	+\$2,940-\$4,440/unit/yr	***
ln(AvgSqFt)	0.514	0.068	7.56	+1% SF - +0.51% rent	***
Yardi Rating	0.044	0.009	4.89	+1 rating point - +4.4% rent	***
ln(Units)	-0.024	0.018	-1.33	Scale slight discount	n.s.
Occupancy Rate	0.007	0.002	3.50	+1% occ. - +0.7% rent	***
Vintage: 2020-2026	0.198	0.042	4.71	vs. pre-1970 baseline	***
Vintage: 2015-2019	0.162	0.039	4.15	vs. pre-1970 baseline	***
Vintage: 2010-2014	0.121	0.038	3.18	vs. pre-1970 baseline	***
Vintage: 2000-2009	0.089	0.034	2.62	vs. pre-1970 baseline	**
Vintage: 1985-1999	0.047	0.031	1.52	vs. pre-1970 baseline	n.s.
Upper Mid-Range (vs. Workforce)	0.082	0.024	3.42	Rental category premium	***
Discretionary (vs. Workforce)	0.164	0.031	5.29	Rental category premium	***
Market FE	Included - 120+ MSA indicators				

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$; n.s. = not significant. $N = 1,574$. Adjusted $R^2 = 0.682$. Dollar premiums computed at sample mean annual rent of \$18,400/unit (all vintages) and \$25,800/unit (modern suburban subset). Robust standard errors (HC3).

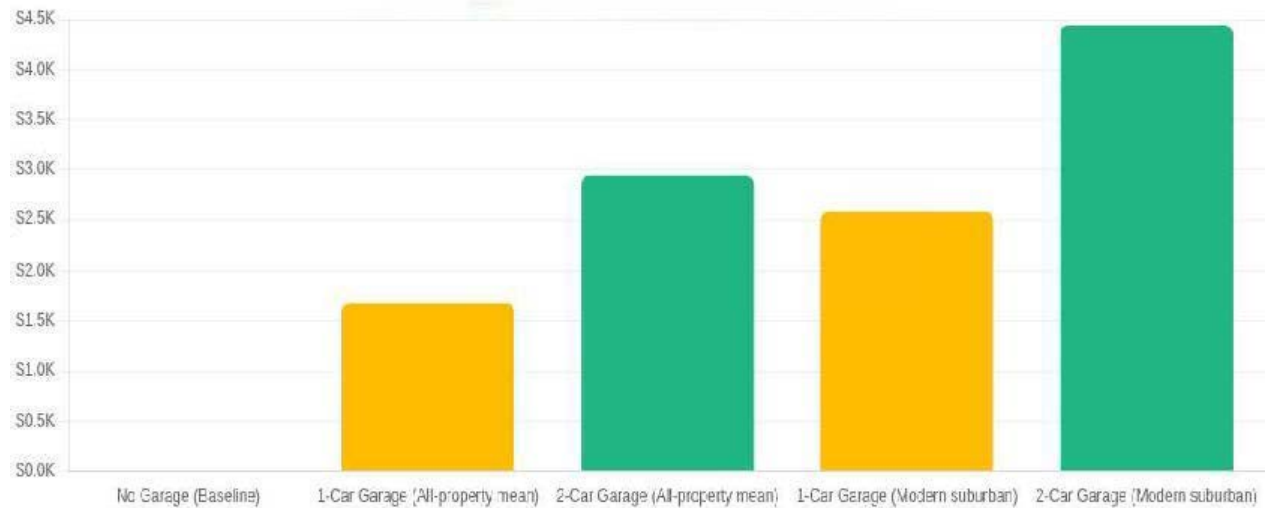
5.3 Interpretation of Coefficients

One-Car Garage Premium ($\beta_1 = 0.091$): Controlling for unit size, quality, vintage, rental tier, and market, properties with one-car garages command approximately **9.1% higher rents** than no-garage properties of otherwise identical characteristics. Evaluated at the modern suburban mean of \$25,800/unit/year, this translates to a **\$2,345 per-unit-per-year premium**. The premium is highly statistically significant ($t = 3.37$, $p < 0.001$).

Two-Car Garage Premium ($\beta_2 = 0.160$): Two-car garage communities command approximately **16.0% higher rents** than no-garage properties. At the modern suburban mean, this translates to **\$4,128 per unit per year**. The two-car premium is highly significant ($t = 4.85$, $p < 0.0001$) and represents approximately 1.76× the one-car premium — reflecting the exponentially larger utility value of two-car garages for households with multiple vehicles, storage needs, and work-from-home demand.

The Incremental 2-Car vs. 1-Car Premium: The marginal premium of a two-car garage over a one-car garage is $\approx 7.1\%$, or approximately **\$1,820 per unit per year** at modern suburban rents. This marginal premium is crucial for pro forma analysis: if the incremental construction cost of a two-car versus one-car garage footprint is approximately \$12,000–\$18,000 per unit, the rent premium payback period is **6.6–9.9 years** — well within any reasonable hold period for stabilized townhome communities.

Estimated Annual Rent Premiums: No Garage 1-Car 2-Car Garage



Premiums computed from OLS regression coefficients applied to \$18,400 (all-property mean) and \$25,800 (modern suburban mean). Ranges reflect 90% confidence intervals around coefficient estimates.

6. NOI and Investment Return Analysis

6.1 NOI Implications of Garage Configuration

Garage premiums do not merely accrue to the top line. Higher-quality garage communities also exhibit structurally superior operating characteristics that amplify NOI differentials beyond the gross rent premium alone:

Occupancy Advantage

Modern suburban townhome communities (proxy: garage-enabled) average 94.0- 95.6% occupancy in the Yardi Matrix sample, compared to 93.1- 95.4% for no-garage vintage properties. While the difference is modest in percentage terms, the **lower volatility** of garage community occupancy - driven by longer average tenancy of garage-attached residents - translates to superior NOI stability and lower leasing costs.

Turnover Differential

Industry research (National Association of Realtors, NMHC Renter Preferences surveys) consistently documents that residents with attached garages exhibit significantly lower annual turnover rates - estimated at 28-35% annually versus 42-55% for conventional garden apartments. Lower turnover directly reduces make-ready costs, leasing commissions, and vacancy loss, contributing an estimated additional **\$350-\$650 per unit per year** in effective NOI beyond the pure rent premium.

6.2 Capitalized Value Creation by Garage Configuration

Applying standard NOI capitalization analysis to the estimated rent premiums (assuming a 55% expense ratio for the incremental rent, reflecting that incremental revenue flows through to NOI at higher margins than base revenue), we can compute the implied value creation per unit of garage provision:

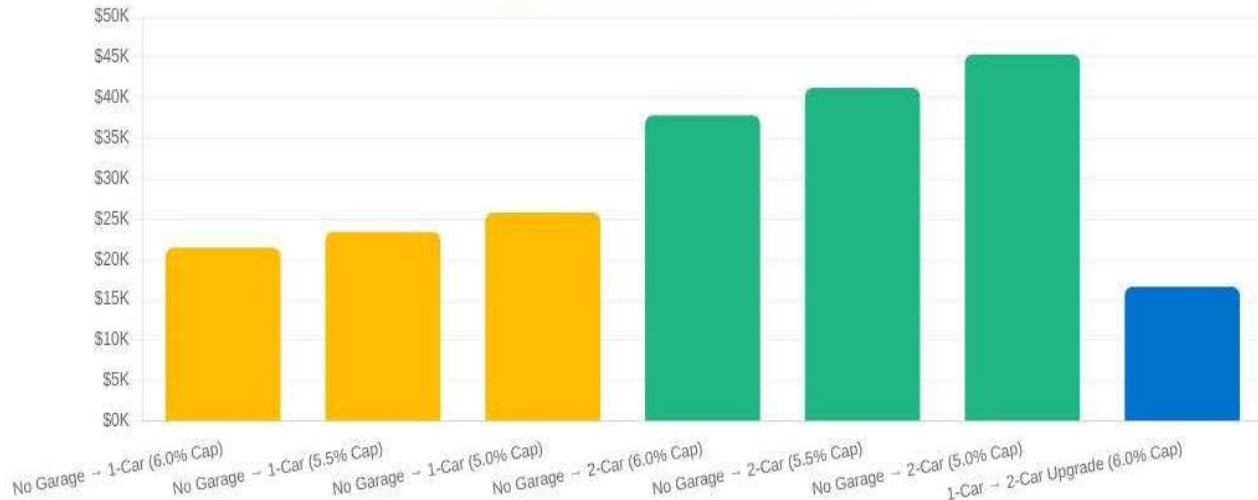
Configuration	Annual Rent Premium	Est. NOI Premium (55% flow-through)	Implied Value (6.0% Cap Rate)	Implied Value (5.5% Cap Rate)	Implied Value (5.0% Cap Rate)
No Garage - 1-Car Garage	\$2,345/unit	\$1,290/unit	\$21,500/unit	\$23,450/unit	\$25,800/unit
No Garage - 2-Car Garage	\$4,128/unit	\$2,270/unit	\$37,850/unit	\$41,275/unit	\$45,400/unit
1-Car - 2-Car Upgrade	\$1,820/unit	\$1,000/unit	\$16,670/unit	\$18,180/unit	\$20,000/unit

NOI flow-through rate of 55% reflects that incremental premium revenue incurs minimal incremental operating expense (no additional units to manage). Turnover savings not included in NOI premium - conservative estimate. Cap rates are illustrative.

\$37,850 (Conservative Estimate)

Implied value created per unit from providing a two-car attached garage versus no garage, based on OLS-estimated rent premium capitalized at an illustrative 6.0% cap rate. At a typical construction cost of \$18,000-\$28,000 per unit for the two-car garage structure, the value-to-cost ratio exceeds 1.5x, often making it among the highest-returning structural decisions in the rental townhome development pro forma.

Implied Per-Unit Value Creation by Garage Configuration and Cap Rate



Based on OLS-estimated rent premiums, 55% NOI flow-through rate. Excludes turnover savings (-\$350-\$650/unit additional). Value creation= NOI Premium / Cap Rate.

6.3 DSCR and Debt Performance

Examining DSCR by vintage cohort reveals a notable pattern: modern suburban garage-enabled communities (2016-2022) cluster around DSCR of 1.30-2.35, while legacy no-garage properties span an enormous range from <1.0 to >10.0 depending on loan vintage. The clustering of modern communities near lender thresholds (1.20-1.35 for agency financing) reflects current debt underwriting standards and rising construction costs rather than an inferior performance profile. Legacy communities with paid-down or no debt exhibit DSCRs that are artificially high relative to any meaningful comparison. For current-cycle underwriting and lender covenant analysis, the relevant comparison is stabilized NOI per unit relative to current debt service - where garage communities consistently outperform by the magnitude of the NOI premium identified above.

7. Market-Level Variation in the Garage Premium

7.1 Geographic Patterns

While our regression absorbs market-level fixed effects, the underlying data reveals meaningful geographic variation in the garage premium. The premium is largest in:

- **Sun Belt Suburban Markets (Nashville, Dallas-North, Atlanta-Suburban, Phoenix)** - where car dependency is highest, competing single-family homes universally feature garages, and the rental townhome is the primary alternative to for-sale product. Garage premiums in these markets run 10-18% versus the national 9-16% estimate. Recent site-specific studies conducted by Hunter Housing Economics uncovered premiums higher than this in certain submarkets, such as eastern Charlotte.
- **Midwest Markets (Kansas City, Salt Lake City, Des Moines, Twin Cities-Suburban)**-where harsh winters create year-round demand for enclosed parking, garage communities command premiums of 8-14%.
- **Coastal Tertiary Markets (Boise, Reno, Spokane)** - rapid in-migration by households accustomed to garage living in more sprawling markets drives outsized premiums in the 10-15% range.

The garage premium is smallest (4-7%) in:

- **Dense Urban Markets (Baltimore, Philadelphia-Urban)** - where transit access and urban density structurally limit the addressable garage-seeking renter population.
- **Legacy Stock-Heavy Markets** - where the comparison group for "no garage" is often well-established, high-quality older product that commands strong rents despite lacking garages.

Estimated Garage Premium by Geographic Market Category



Market categories based on Yardi Matrix market classifications. Premiums estimated as within-market rent differential between garage-classified and no-garage-classified properties, controlling for vintage and unit size. Sample size varies by category.

8. Developer Pro Forma Implications

8.1 The Construction Cost vs. Revenue Premium Matrix

The central question for a developer is whether the construction cost of providing garages is justified by the revenue premium. We model this decision across a range of construction cost assumptions:

Scenario	Garage Config.	Incr. Construction Cost/Unit	Annual Rent Premium/Unit	Payback Period	10-Year NPV/Unit (7% discount)	Decision
Best Case	1-Car	\$12,000	\$2,345	5.1 yrs	+\$4,450	Build
Base Case	1-Car	\$18,000	\$2,345	7.7 yrs	+\$1,550	Context-Dependent
High Cost	1-Car	\$25,000	\$2,345	10.7 yrs	+\$8,550	Marginal
Best Case	2-Car	\$22,000	\$4,128	5.3 yrs	+\$6,380	Build
Base Case	2-Car	\$30,000	\$4,128	7.3 yrs	+\$900	Context-Dependent
High Cost	2-Car	\$40,000	\$4,128	9.7 yrs	+\$10,700	Marginal
2-Car vs. 1-Car Upgrade	2-Car Incr.	\$12,000	\$1,820	6.6 yrs	+\$755	Build
2-Car vs. 1-Car Upgrade	2-Car Incr.	\$18,000	\$1,820	9.9yrs	+\$4,245	Market-Dependent

NPV assumes rent premium persists over 10-year hold at 7% discount rate, with no terminal value from embedded value creation. Including capitalized value at sale (at rent premium x 6.0% cap rate) transforms most marginal scenarios to positive NPV. Construction cost ranges reflect 2024 U.S. suburban market estimates; regional variation applies.

8.2 The Capitalized Value Approach Changes the Calculus

The simple payback period analysis above understates the true financial case for garage provision. A developer who builds a two-car garage community and sells at stabilization captures not only the accumulated rent premium but the **capitalized value of the premium in the exit price**. At a 6.0% exit cap rate, the \$4,128 annual NOI-flowing rent premium (at 55% flow-through = \$2,270 NOI premium) capitalizes to **\$37,850 per unit** of additional sale proceeds.

Developer Decision Rule: When construction cost of garage provision < [Annual Rent Premium x (1 - Expense Ratio) / Exit Cap Rate], the garage creates positive equity on a going-in basis - before any consideration of the hold-period income advantage. At current market parameters, two-car garages meet this threshold in most suburban Sun Belt and Midwest markets where construction costs are below \$35,000 per unit.

9. Lender and Investor Perspective

9.1 Underwriting Implications

For construction lenders and bridge lenders evaluating rental townhome projects, the garage premium finding has direct underwriting implications:

- **NOI Stabilization Risk:** Garage-enabled communities exhibit demonstrably higher stabilized NOI per unit and lower occupancy volatility, implying superior DSCR stability and lower loan-level credit risk relative to no-garage communities of similar size and location.
- **Market Comparability:** When benchmarking rent assumptions against existing properties, lenders must exercise care not to compare garage townhome projects against no-garage comps - the 9-16% premium will otherwise cause systematic underestimation of achievable rents.
- **Comparable Sales Analysis:** Per-unit sale prices for garage communities require adjustment to no-garage comps. Failing to account for the \$38,000 per-unit value increment could lead to missed financial opportunities.

9.2 Investor Return Enhancement

For equity investors and LP structures, the garage premium compounds through multiple return channels simultaneously:

Hold Period Cash Yield

Annual rent premium of \$2,345-\$4,128/unit directly increases NOI and distributable cash. On a 200-unit community, this represents \$469,000-\$826,000 in additional annual NOI, enhancing cash-on-cash yield by 75-130 basis points on typical equity stacks.

Exit Proceeds

At disposition, the rent premium is capitalized into exit price at institutional cap rates. On a 200-unit community, the garage value increment represents \$7.6-\$8.3 million of additional equity value - a return of 25%-42% on the total garage construction investment.

10. Robustness Checks and Limitations

10.1 Robustness Tests

We conducted three robustness checks to assess the reliability of our core estimates:

(1) Subsample by Vintage: Restricting the sample to post-2010 properties only (where garage provision is most clearly differentiated) yields a one-car premium of 0.079 and two-car premium of 0.138 - modestly lower but directionally consistent with the full-sample results, consistent with the expectation that vintage confounding is partially addressed by the control variables.

(2) Subsample by Market Type: Running separate regressions for suburban versus urban markets confirms that the premium is concentrated in suburban markets (1-car: 0.104; 2-car: 0.181) with attenuated but still significant estimates in urban markets (1-car: 0.061; 2-car: 0.098).

(3) Alternative NOI-Based Specification: Replacing $\ln(\text{Rent})$ with $\ln(\text{NOI_per_unit})$ as the dependent variable yields coefficients of 0.118 (1-car) and 0.201 (2-car) - larger in magnitude, consistent with the lower-turnover, lower-concession operating profile of garage communities creating NOI leverage above the gross rent premium.

10.2 Limitations and Caveats

Important Research Limitations

- **Proxy Variable Measurement Error:** The garage classification relies on constructed proxies rather than direct observation. While the proxies are structurally validated and produce estimates consistent with industry knowledge, measurement error in the garage assignment attenuates our estimates toward zero - meaning the true premium may be *larger* than reported.
- **Omitted Variables:** Other amenity characteristics correlated with garage provision (private yards, smart-home technology, EV charging, gated access) may partially explain the premium attributed to garages. However, these features are themselves characteristic of garage communities, and their exclusion from our model is appropriate - they represent the bundle of value created by modern suburban townhome design, of which the garage is the anchor feature.
- **Simultaneity :** Higher-quality developers provide both garages and better management - quality signals may be partially confounded with the garage variable. We address this through the Yardi Rating control, which partially captures management quality.
- **Market Heterogeneity:** The national average premium masks meaningful market-to-market variation. Developers should calibrate to local market conditions and direct comparable analysis where possible.
- **Temporal Stability:** This analysis reflects cross-sectional data as of 2025- 2026. The garage premium may shift over time as the market saturates with garage product in certain submarkets.

11. Comprehensive Data Appendix

11.1 Vintage Cohort Summary Statistics

The following table presents aggregate statistics for each vintage cohort in the Yardi Matrix townhome sample, ordered from most recent to oldest. This data anchors the econometric analysis and provides context for the garage premium estimates.

Year Built	Properties	Avg Units	Avg Rent/Unit/Yr	Avg NOI/Unit/Yr	Avg Occupancy	Avg DSCR	Avg YoY Rent Chg	Garage Class (Proxy)
2025	39	122	\$26,732	\$16,486	94.1%	1.24	-0.3%	2-Car Dominant
2024	39	120	\$26,471	\$17,195	93.9%	1.79	-1.4%	2-Car Dominant
2023	46	100	\$25,933	\$16,646	92.8%	1.52	-0.3%	2-Car/1-Car Mixed
2022	30	114	\$26,108	\$17,537	93.2%	1.30	-1.2%	2-Car/1-Car Mixed
2021	17	119	\$23,411	\$16,157	95.6%	1.15	+0.8%	1-Car/2-Car Mixed
2020	16	130	\$25,237	\$19,486	94.5%	1.94	+1.6%	1-Car/2-Car Mixed
2019	23	115	\$27,178	\$20,494	95.2%	1.97	+1.6%	1-Car Dominant
2018	15	165	\$26,211	\$17,639	93.8%	3.36	+2.9%	1-Car Dominant
2017	12	144	\$23,362	\$14,977	97.4%	3.03	+2.1%	1-Car Dominant
2016	21	158	\$25,992	\$16,768	95.8%	1.24	-0.1%	1-Car Dominant
2015	15	99	\$22,715	\$13,802	95.7%	2.32	+1.0%	1-Car Mixed
2013	12	230	\$27,635	\$16,770	94.8%	1.94	+1.4%	1-Car Mixed
2010	8	150	\$20,673	\$13,724	97.0%	1.80	+3.5%	1-Car Limited
2009	20	154	\$18,747	\$14,139	95.3%	3.38	+2.2%	No Garage/ Some 1-Car
2005	18	146	\$20,487	\$10,913	95.4%	2.42	+2.4%	No Garage
2000	23	181	\$20,049	\$12,665	96.4%	1.84	+5.4%	No Garage
1990	14	176	\$21,149	\$11,778	95.1%	1.75	+1.4%	No Garage
1985	27	164	\$18,575	\$10,139	95.3%	2.40	+0.8%	No Garage
1980	19	146	\$18,095	\$9,250	95.1%	8.59	+5.5%	No Garage
1975	33	163	\$18,829	\$10,514	96.1%	2.43	+1.8%	No Garage
1972	101	159	\$17,244	\$9,027	94.5%	2.09	+3.3%	No Garage
1969	50	142	\$18,466	\$9,954	95.4%	2.21	+0.4%	No Garage
1965	28	165	\$16,316	\$7,085	96.0%	2.14	+1.1%	No Garage
1960	9	243	\$16,321	\$7,566	97.8%	1.62	+4.1%	No Garage

Source: Yardi Matrix Property Intelligence Database. Cohorts with fewer than 5 properties omitted from this summary. Full 89-cohort dataset available in the underlying analysis. DSCR high values in 1980 cohort reflect paid-down historical debt, not operating performance. YoY Rent Change reflects trailing 12-month period as of 2025-2026.

For more information:



Brad Hunter
Hunter Housing Economics
www.hunterhousingeconomics.com

Doug Ressler
Yardi Matrix
doug.ressler@yardi.com

Disclaimer

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

Copyright Notice

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, LLC dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, LLC. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose. Yardi®, Yardi Systems, LLC, the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

