

THE COSTIGAN GROUP



Short Term Rental Guide

Nashville



Our *Mission* —

The short-term rental (STR) market in Nashville has experienced rapid growth in recent years, fueled by an influx of tourists, business travelers, and event-goers. As a thriving hub for music, entertainment, and business, Nashville presents a lucrative opportunity for real estate investors looking to generate consistent, high-yield rental income. However, navigating the STR landscape requires a deep understanding of local regulations, zoning laws, financial projections, and guest management strategies. With ever-changing policies and market dynamics, successful investors must stay informed and adopt best practices to maximize returns while ensuring compliance with city ordinances. This guide is designed to provide a comprehensive roadmap for anyone looking to enter or expand within the Nashville STR market.

Whether you're an experienced investor or a newcomer, this resource will cover neighborhood-specific insights, zoning laws, financial breakdowns, marketing strategies, and risk mitigation techniques to help you build a profitable short-term rental business. ***At The Costigan Group, we specialize in helping investors identify high-yield STR properties, secure necessary permits, and manage operations for optimal revenue generation.***

Our goal is to simplify the investment process and provide you with the tools needed to scale your portfolio confidently and profitably. Let's dive into everything you need to know about successfully investing in Nashville's short-term rental market.





Table of *Contents*

1. MEET JACK
2. MARKET OVERVIEW
3. STR REGULATION HISTORY
4. ZONING AND COMPLIANCE
5. HOW WE DO IT
6. BUYING RIGHT
7. LLC AND MIPA TRANSACTION
8. NEW PERMIT STEPS
9. THE STR ADVANTAGE
10. SUCCESS AFTER PURCHASE
11. CASE STUDIES
12. KEY TERMS
13. CONCLUSION



01.



Jack Costigan

Jack is a dedicated real estate professional with extensive experience in the Nashville market. As the founder of The Costigan Group, he has successfully helped numerous investors navigate the complexities of short-term rental investing.

Jack's expertise in property acquisition, zoning compliance, and revenue optimization makes him a trusted advisor for those looking to build profitable STR portfolios. His passion for real estate, combined with a strategic approach to market trends, ensures that investors receive top-tier guidance and unmatched industry insights.



Realtor | Founder of The Costigan Group

M: 919.889.8195

E: jack.costigan@compass.com

Our Commitment to *You*

At The Costigan Group, our mission is to provide an unparalleled real estate experience, whether you're buying, selling, or investing in short-term rental properties. We understand that every real estate transaction is more than just a deal—it's a pivotal moment in your financial future. That's why we are committed to delivering exceptional service, market expertise, and unwavering support at every step of your journey.

The Nashville STR Market - *Overview*

02.

Nashville's appeal extends beyond its legendary honky-tonks. The city is home to major sporting events, conventions, music festivals, and a growing food scene. Key drivers of tourism include:

- CMA Fest, Bonnaroo, and Live on the Green music festivals
- Tennessee Titans (NFL) and Nashville Predators (NHL) home games
- Large business conventions at Music City Center
- The Grand Ole Opry and the Country Music Hall of Fame
- A growing tech and healthcare industry bringing corporate travelers

his year-round tourism ensures a steady demand for short-term rentals, making Nashville an attractive market for investors.

Seasonality and Occupancy Rates

- Peak Season (March–October): Occupancy rates often exceed 80%, with nightly rates spiking during large events.
- Off-Peak Season (November–February): Rates may decrease, but corporate travelers and weekend tourists help maintain occupancy levels.
- Event-Based Pricing: STRs near major venues experience significant surges in pricing during key events like music festivals, sports playoffs, and conferences.

Understanding seasonality allows investors to optimize pricing strategies and maintain high occupancy throughout the year.





History STR Laws

03.

Key Milestones in STR Regulation in Nashville

- **2014** – Nashville first legalizes short-term rentals, requiring owners to obtain permits. Early regulations are minimal, leading to rapid growth in the STR market.
- **2017** – Concerns over noise, parking, and housing affordability prompt the city to impose stricter permitting rules. Owner-occupied and non-owner-occupied STR categories are formally created.
- **2018** – New laws ban non-owner-occupied STRs in residential zones (R, RS, RM, AR2A), allowing only owner-occupied permits in those areas. Existing non-owner-occupied permits in these zones remain valid but cannot be transferred upon sale.
- **2020** – Additional rules are introduced to tighten enforcement, including stricter penalties for permit violations and the requirement for STR operators to include permit numbers on listings.
- **2022** – Nashville updates enforcement mechanisms, increasing fines for illegal STRs and requiring enhanced safety measures, including liability insurance and fire inspections.
- **2024** – Continued adjustments are made, with local policymakers considering further restrictions on STR density in key residential areas while protecting commercial-zone investment opportunities.

Current Legal *Landscape*

As of today, non-owner-occupied STRs are only permitted in select commercial zoning districts. Investors looking to operate STRs in residential areas must reside in the property full-time or purchase properties that were previously permitted and grandfathered in. The Costigan Group helps investors navigate these complex regulations to ensure compliance and maximize investment success.



Understanding Nashville's Zoning Laws and Occupancy Limits

04.

Nashville regulates STRs based on zoning districts and property ownership status. There are two main categories of STR permits:

Owner-Occupied STRs

- Must be the owner's primary residence or located on the same lot.
- Rentals must be limited to one party of individuals at a time.
- The owner must provide four documents proving primary residency.
- Only one permit per lot is allowed in single-family and two-family zoning districts.
- In two-family units (duplexes under a Horizontal Property Regime), both units must be owned by the same person, and one must be the primary residence.
- LLCs, corporations, and trusts cannot apply for these permits.

Non-Owner-Occupied STRs

- These properties cannot be located on a lot with an owner-occupied residence.
- Only permitted in specific commercial zoning districts such as MUN, MUL, MUG, DTC, ORI, CF, and certain SP/PUD areas.
- New non-owner-occupied permits are not issued in residential zones such as R, RS, RM, and AR2A.
- Existing permits in banned zones are not transferable upon sale.

How *We* Do It.

05.

At The Costigan Group, we leverage our expertise, market data, and local connections to identify high-performing STR investment opportunities. Our process ensures that each property meets the right criteria for maximum returns while staying compliant with Nashville's STR laws.

Our STR Property Selection Process

1. Market Analysis & Location Research

- We analyze market trends, occupancy rates, and rental demand across different Nashville neighborhoods.
- Identify high-performing areas where non-owner-occupied STRs are permitted.
- Consider proximity to major attractions, event venues, and business districts.

2. Revenue Projection & Financial Modeling

- Use AirDNA, Mashvisor, and STR analytics tools to calculate potential revenue and occupancy rates.
- Compare STR income projections against traditional long-term rental values to ensure higher ROI.

3. Zoning & Compliance Check

- Ensure the property meets all Nashville STR zoning regulations.
- Verify permit eligibility and assist in securing the necessary permits.

4. Property Condition & STR Optimization Potential

- Assess properties for short-term rental readiness, including layout, amenities, and appeal.
- Recommend design upgrades to enhance guest experience and increase nightly rates.

5. Investment Strategy & Scaling

- Help clients choose between luxury, mid-tier, or budget-friendly STR models.
- Develop a long-term scaling strategy, including refinancing and reinvestment options.



How to Buy *Right* 06.

Buying the Right STR Property Requires Careful Planning and Expert Guidance

Here's what investors should consider:
Key Considerations for STR Buyers

1. Zoning & Permitting Requirements

- Non-owner-occupied STRs are only allowed in commercial zoning districts.
- Owner-occupied permits require you to live on-site and meet strict documentation criteria.
- Verify the availability of transferable permits if purchasing an existing STR property.

2. Property Type & Size

- Smaller units (1-2 bedrooms): Lower upfront costs, high demand for solo travelers and couples.
- Larger homes (3+ bedrooms): Higher income potential, attracts families and group travelers.
- Consider unique property types (historic homes, condos, townhomes) that stand out in the market.

3. Budget & Financing Options

- Compare financing options: DSCR loans, traditional mortgages, HELOCs, and private lenders.
- Factor in initial investment costs, ongoing expenses, and tax implications.

4. Expected Returns & Cash Flow

- Calculate your expected nightly rates, occupancy, and total revenue.
- Account for operating expenses like cleaning, maintenance, taxes, and management fees.
- Ensure the property generates positive monthly cash flow after expenses.





The LLC *Loophole*

07.

LLC Transfers: Buying an Existing STR Business

- Some properties have existing, grandfathered STR permits that are no longer being issued.
- Instead of transferring the permit (which is not allowed), investors can purchase the LLC that owns the permitted property.
- This ensures that the new owner retains the STR permit and compliance history while legally acquiring the property.

Important Considerations:

- Work with an attorney and title company to ensure a clean LLC transaction.
- Verify past STR compliance to avoid inheriting permit violations or legal issues.
- Ensure the LLC has no outstanding tax liabilities or pending lawsuits.

MIPA Agreements: Mastering STR Contracts for Non-Zoned Homes

For properties that are not zoned for STR use, investors can structure Management & Investment Partnership Agreements (MIPA) to legally operate short-term rentals under a third-party entity.

How MIPA Agreements Work:

- Instead of the buyer purchasing the home outright, a separate business entity leases the home and manages it as an STR.
- The investor earns profits through a revenue-sharing model rather than direct STR ownership.
- This approach allows investors to operate STRs in restricted zoning areas while staying within legal boundaries.

Best Practices

- Work with a real estate attorney to draft a legally sound MIPA.
- Ensure local zoning laws permit corporate lease agreements.
- Set up proper insurance coverage to protect both the property owner and STR operator.

Non Owner Occupied *Permit Steps*

08.



CONFIRM PROPERTY
ELIGIBILITY

GATHER REQUIRED
DOCUMENTS

CREATE A FLOOR PLAN

FULL INSPECTION

OBTAIN LIABILITY
INSURANCE

NOTIFY ADJACENT
PROPERTY OWNERS

SCHEDULE FIRE MARSHAL
INSPECTION

RECIEVE STR PERMIT





The STR *Advantage*

09.

Short-term Rentals Offer Unique Financial and Tax Benefits That Make Them an Attractive Investment Option

1. Higher Revenue Potential

- STRs generate 2–3 times more income compared to long-term rentals.
- Prime Nashville properties can earn \$50,000–\$200,000+ per year in rental income.

2. Tax Advantages & Deductions

STR owners can take advantage of significant tax write-offs, including:

- Depreciation on the property, furniture, and appliances.
- Mortgage interest deductions.
- Operating expense deductions (cleaning, utilities, maintenance, property management fees).
- Bonus depreciation & cost segregation studies for accelerated tax benefits.

Investors may also offset STR losses against active income under IRS guidelines if they qualify as real estate professionals.

3. Flexible Use of Property

- Owners can block off dates for personal vacations while earning rental income the rest of the year.

4. Long-Term Appreciation & Wealth Building

- Nashville's real estate market has appreciated significantly over the last decade.
- STR properties allow investors to build equity while generating cash flow.

5. Portfolio Diversification

- STRs offer an alternative to stocks and traditional rentals, providing a hedge against market volatility.



Success After Purchasing 11.

Once You've Purchased an STR, Proper Management and Design Are Crucial to Maximizing Profitability
Follow these steps to set your rental up for success:

1. Invest in High-Quality, Themed Décor

The best-performing STRs have unique, Instagram-worthy designs.

Choose a theme that appeals to your target guests, such as:

- Music City Loft – A Nashville-inspired design with guitars, vinyl records, and music-themed artwork.
- Luxury Retreat – High-end furnishings, plush bedding, and a spa-like ambiance.
- Rustic Farmhouse – Southern charm with exposed wood, cozy textures, and vintage décor.

2. Optimize Guest Experience & Comfort

- High-quality bedding & linens – Guests pay attention to comfort.
- Smart home features – Keyless entry, smart thermostats, and automated lighting improve convenience.
- Fast Wi-Fi & Workspaces – Essential for business travelers and remote workers.

3. Professional Photography & Listing Optimization

- Invest in professional photos to showcase your STR's best features.
- Write compelling descriptions with keywords that attract guests.
- Highlight proximity to local attractions, unique amenities, and guest perks.

4. Implement a Top-Tier Management Strategy

- Use property management software (Hospitable, Guesty, or Hostaway) to streamline operations.
- Partner with a reliable cleaning crew to ensure the property is spotless between bookings.
- Offer personalized guest experiences like a welcome guide with restaurant recommendations and local activities.

Case Study #1

12.

Investing in a Turnkey Condo
for Maximum ROI

Investor: Daniel P.

Property: 1-bedroom condo in The Gulch
Purchase Price: \$500,000

Initial Condition:

Turnkey, minimal upgrades needed

STR Performance:

- Avg. Nightly Rate: \$200
- Occupancy Rate: 75%
- Annual Revenue: \$54,750
- Net Profit (after expenses): \$32,500

Key Success Factors:

- Prime location attracting business travelers and weekend tourists.
- Minimal operational costs due to HOA covering exterior maintenance.
- Dynamic pricing strategy, adjusting rates based on demand.



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Case Study

#2

Transforming a Historic Home
into a High-Yield STR

Investor: Emily S.
Property: 3-bedroom historic home in
East Nashville
Purchase Price: \$899,000

Initial Condition: Outdated design,
underutilized backyard

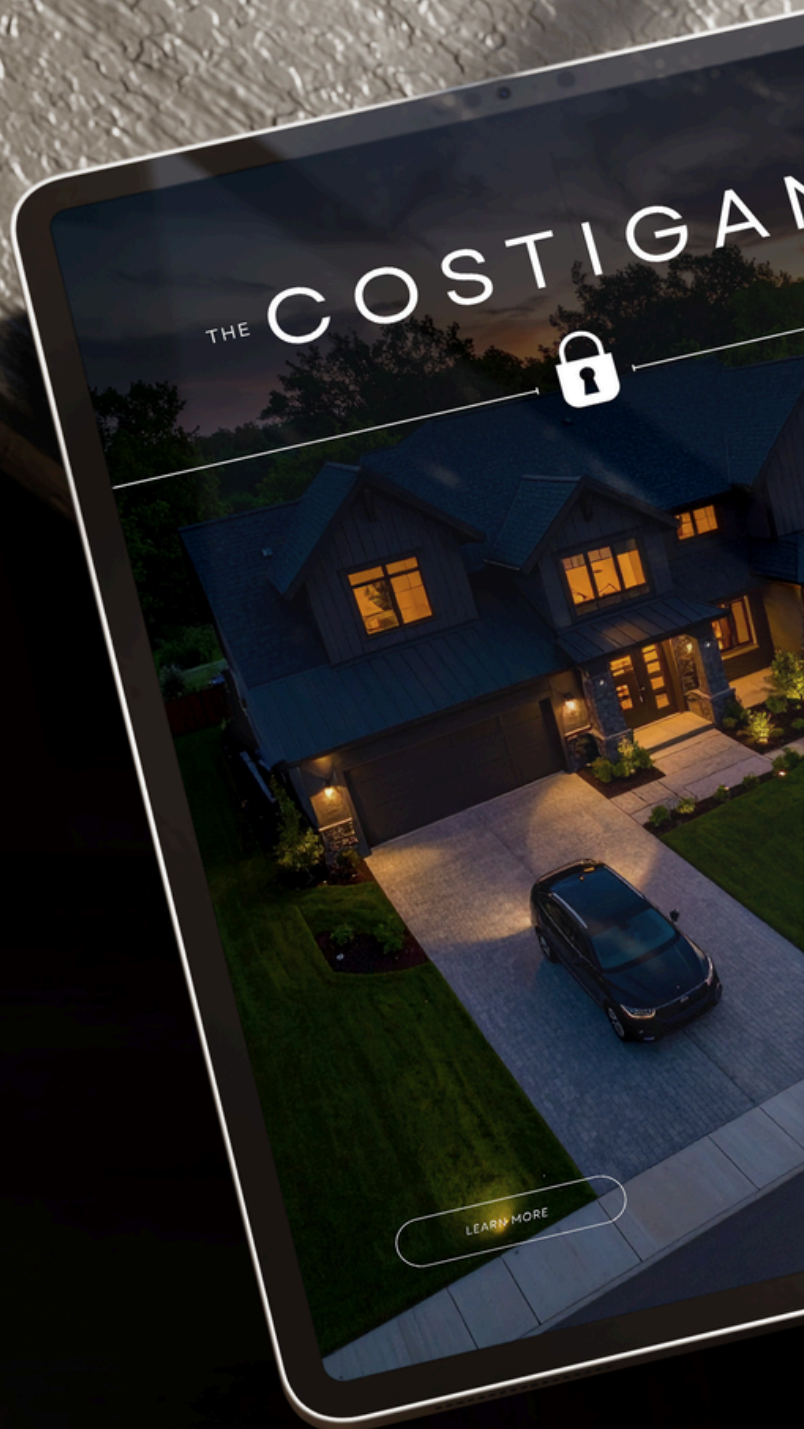
Renovation Costs: \$75,000 (interior
upgrades, adding outdoor amenities)

STR Performance:

- Avg. Nightly Rate: \$450
- Occupancy Rate: 80%
- Annual Revenue: \$131,400
- Net Profit (after expenses): \$85,200

Key Success Factors:

- Themed interior design appealing to music lovers visiting Nashville.
- Luxury outdoor space with a fire pit and patio seating.
- Strong marketing strategy, leveraging Instagram ads and travel partnerships.



Understanding key industry terms is essential for navigating the short-term rental market effectively. Here are some of the most important terms to know:

- **Short-Term Rental (STR):** A furnished property rented out for short stays, typically fewer than 30 days.
- **Occupancy Rate:** The percentage of days an STR is booked compared to total available days.
- **Dynamic Pricing:** A strategy that adjusts nightly rental rates based on demand, seasonality, and market trends.
- **LLC Transfer:** A legal method where an investor purchases the LLC that owns an STR property to retain the permit.
- **MIPA Agreement (Management & Investment Partnership Agreement):** A contract that allows investors to operate STRs in restricted zoning areas through a third-party entity.
- **Cap Rate (Capitalization Rate):** A metric used to measure an investment's property profitability, calculated as Net Operating Income (NOI) divided by Purchase Price.
- **BRRRR Method:** A strategy used to scale real estate investments through Buy, Rehab, Rent, Refinance, and Repeat.
- **AirDNA:** A data analytics tool that provides insights into STR performance, occupancy rates, and market trends.
- **Turnkey Property:** An investment property that is move-in ready and requires little to no additional renovations before renting.
- **House Manual:** A guide provided to guests with property rules, emergency contacts, and local recommendations.



Conclusion

14.

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