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Why Nashville's real estate market is hungry for short-term rentals | Opinion

There are negatives associated with the displacement of tenants and owners, but the amount of economic activity and tax dollars that short-term-rentals bring outweigh the negatives.

Meg Epstein Guest Columnist

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Key Points

- Meg Epstein is the CEO and Founder of CA South, a real estate development and investment management firm based in Nashville.

People have strong feelings about AirBnB, VRBO, and other home sharing platforms.

It is no secret that Nashville has been increasingly flooded by tourists and partygoers. Tourism recovery efforts are going strong post-COVID and tourist figures are only continuing to rise year over year, with more than 14.4 million annual visitors who are drawn to Broadway and beyond looking for good food, live music, and an almost 24/7 party.

So, what's the problem? Besides noise and chaos, there just aren't nearly enough hotel rooms to accommodate this volume of visitors. In June 2022, Nashville saw record monthly hotel room demand, earning over \$184 million by county-wide hotels, up 20% from 2021 numbers and 11% to 2019 numbers. In the Downtown Central Business District, there are just over 19,600 hotel rooms, yet there are 14.4 million annual tourists. AirBnB and home sharing is a solution to this problem.

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How affordable housing figures into this issue

If you look at the data, AirBnB's average daily rate has been increasing because people are no longer booking less expensive shared or one-bedroom stays; they're opting for larger homes in

high-touch markets because they are traveling in groups. Put simply: Prices are more expensive because the service is in higher demand.

But there is controversy in almost every city, including Nashville, around the belief that AirBnB rentals and other homes are effectively decentralized hotels, and they are getting out of hand. The result is higher rents, fewer permanent homes, and the average renter seeing more competition for good locations across Nashville.

While there are certainly negatives associated with the displacement of tenants and owners, the amount of economic activity and tax dollars that these short-term-rentals bring seem to outweigh the negatives. The real issue is the lack of affordable housing options, which is more of a zoning problem.

Nashville, like other rapidly developing cities, needs better infrastructure, more density, and better public transportation. That would help solve the housing affordability issue and create a more dynamic and thriving city. But those are big problems to solve, ones that other cities like Austin have struggled with mightily, too.

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Compare hotel rooms rates to short-term rentals

Over the past decade, downtown Nashville has sustained a near 70% population growth, and Tennessee is expected to gain one million new residents by 2040. People are coming to our state whether we are ready or not, and why wouldn't we want to be ready?

Also, you can't outlaw short-term rentals when the average hotel room in Nashville already costs \$223 per night (according to a 2019 study by CheapHotels.org), making Nashville one of the most expensive cities in the U.S. when it comes to average hotel prices, beating New York City, Chicago, and San Francisco.

Imagine how high that number would be if short-term rentals were not allowed. It would make Nashville a place that could only be visited by the super-wealthy, which is something that nobody wants either.

Investors, home buyers, renters, and vacationers alike love short-term rentals, and they are in even higher of demand than before. Several of our short-term rental condominiums in Nashville, such as the one we're completing soon at HYVE, have sold out in a matter of weeks because they are seen as a "recession proof" investment.

There is also the added benefit of being able to use the short-term rental whenever you want and have a third-party manager handle all the cleaning, booking and maintenance for you. Another recent report by Forbes confirms demand for short-term rentals are only increasing, despite economic headwinds.

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Tennessee's volume of tourism requires more lodging options

Tennessee tourism outperformed the nation with a record \$24 billion in domestic travel spending in 2021, and Tennessee makes the list of states with the best cities for AirBnB investment in 2022, with Chattanooga and Townsend as two of the top 20.

There is no peak travel season anymore – long gone are the patterns of high traffic summer and winter holiday seasons, and low traffic spring and fall. We need to prepare for a 24/7, 365 days a year environment where locals and tourists are looking to enjoy Nashville in a flexible way that suits their modern lifestyle.

Short-term rentals provide not only incremental income for owners who may be looking to rent their homes and condos for supplemental cash throughout this economic downturn, but also provide a viable alternative for people who are waiting for high interest rates to go back down before they buy property.

Tourists in Tennessee spend an average of \$66 million per day. We need to be supplying the in-demand short term rental properties that encourage this kind of economic growth, otherwise, they will find a different city that will.

Meg Epstein is the CEO and Founder of CA South, a real estate development and investment management firm based in Nashville. Meg was recently named Entrepreneur of the Year, 2022 by the Nashville Entrepreneur Center in its NEXT Awards.