

Senators urge DOJ to scrutinize landlords' use of RealPage software to raise rents

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Four U.S. senators are calling on the Justice Department to look closely at how Richardson-based RealPage's software is used by big landlords.

Democratic Sens. Elizabeth Warren, Tina Smith, Bernie Sanders and Ed Markey sent a letter March 2 to Assistant Attorney General Jonathan Kanter on their concerns about the role algorithmic rent-setting software such as RealPage's YieldStar plays in setting prices for rental properties.

The letter comes after ProPublica published an investigation on the use of RealPage's software by landlords in October. In November, the Department of Justice opened an investigation into whether RealPage is facilitating collusion among landlords as questions arose about a 2017 merger between RealPage and its largest pricing competitor, ProPublica reported.

"The rise of institutional investors and rent-setting algorithms have weakened competition in the already strained housing market, resulting in substandard services and unnecessarily high housing costs for American families," the senators wrote. "It is therefore essential that the department use all of its tools to ensure that renters do not fall victim to corporate landlords and anti-competitive forces."

The senators opened their own investigation into YieldStar in November, requesting information on how the rent-setting software has affected the rental housing market.

They said the company did not provide them with all the information they requested but noted that RealPage's website states its revenue-management software is used for more than 4 million units and factors in lease transaction data for more than 13 million units.

The senators wrote that information provided to them by RealPage also revealed that the use of YieldStar has been most prevalent in some of the regions most heavily targeted by corporate buyers and with the highest rent increases.

"Even the widespread use of its anonymized and aggregated proprietary rental data by the country's largest landlords could result in de-facto price-setting by those companies, driving up prices and hurting renters," the senators wrote. "Given these findings, the DOJ should act to protect American families and closely review rent-setting algorithms like YieldStar to determine if they are having anti-competitive effects on local housing markets that have seen increased institutional investor activity."

RealPage went public more than a decade ago in a stock sale valued at \$135.3 million. It was acquired and taken private by private equity investment firm Thoma Bravo in a \$10.2 billion deal in 2021.

In a statement provided to The News in response to the senators' letter, RealPage said, "RealPage appreciates the opportunity to work with the senators' offices and, more generally, we are always willing to engage policy stakeholders to ensure an informed and comprehensive understanding of the benefits we contribute to the rental ecosystem."

Principal Deputy Attorney General Doha Mekki said at an antitrust conference in Miami in February that the Justice Department's antitrust division was withdrawing guidance issued between 1993 and 2011 that outlined permissible conduct related to information sharing, Bloomberg Law reported.

"This guidance provided a safe harbor to companies like RealPage, and we now know—based on the findings of our investigation—that safe harbor may have provided potential opportunities for de facto collusion and price setting," the senators wrote in their letter.

According to Bloomberg Law, Mekki said the increased use of algorithms, the speed of data and the ability of firms to de-anonymize sensitive information require new scrutiny.

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