

United States Senate

WASHINGTON, DC 20510

November 22, 2022

Dana Jones
Chief Executive Officer and President
RealPage
2201 Lakeside Boulevard
Richardson, Texas 75082

Dear Ms. Jones:

We write regarding my concerns about your company's algorithmic pricing software, YieldStar, and its potential role in creating a "cartel" of landlords and driving rapidly rising rents across the country.¹ Since 2020, rents have increased 20 percent nationally,² exacerbating what was already a severe affordable housing crisis. While the underlying cause of the housing crisis is a supply shortage of nearly seven million affordable homes,³ private equity firms and other institutional investors have taken advantage of these conditions and fueled the fire under American renters. In recent years, the increased involvement of these entities in the housing market has spelled a dramatic number of evictions and exorbitant rent hikes for their tenants.⁴ Now, new reporting indicates that your company is creating tools to push affordable housing for families further out of reach by "artificially inflating rents and stifling competition," creating a rent-hike race to the top.⁵

According to a ProPublica investigation, your company's product, YieldStar, a "software that uses a mysterious algorithm to help landlords push the highest possible rents on tenants," has become the favored rent-setting tool for some of the largest landlords in the country.⁶ RealPage reported that its clients used its rent-setting technology to price nearly 20 million units in 2020.⁷ Greystar, the largest property management company in the U.S., uses this software to set rents for over 150,000 apartments.⁸ And it is not just the largest landlords utilizing this technology:

¹ ProPublica, "Rent Going Up? One Company's Algorithm Could Be Why," Heather Vogell, October 15, 2022, <https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent>.

² The New York Times, "The Rent Revolution is Coming," Conor Dougherty, October 15, 2022, <https://www.nytimes.com/2022/10/15/business/economy/rent-tenant-activism.html>.

³ National Low Income Housing Coalition, "Out of Reach: The High Cost of Housing," Andrew Auran, Dan Emmanuel, Ikra Rafi, Dan Threet, Diane Yentel, July 14, 2021, https://nlihc.org/sites/default/files/oor/2021/Out-of-Reach_2021.pdf.

⁴ National Public Radio, "Corporate landlords used aggressive tactics to push out more tenants than was known," Jennifer Ludden, July 28 2022, <https://www.npr.org/2022/07/28/1114128514/corporate-landlords-used-aggressive-tactics-to-push-out-more-tenants-than-was-kn>.

⁵ ProPublica, "Rent Going Up? One Company's Algorithm Could Be Why," Heather Vogell, October 15, 2022, <https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent>.

⁶ *Id.*

⁷ *Id.*

⁸ Yield Pro, "Game Changer," Wendy Broffman, August 1, 2014, <https://yieldpro.com/2014/08/game-changer/>; ProPublica, "Rent Going Up? One Company's Algorithm Could Be Why," Heather Vogell, October 15, 2022, <https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent>.

ProPublica investigators found that rent in 70 percent of units in one Seattle neighborhood, overseen by ten different property managers, was set using RealPage’s pricing software.⁹

YieldStar’s extensive reach, which only grew after regulators approved a merger with “its only significant competitor” in 2017,¹⁰ has grave implications for renters who end up in the grasp of landlords who use it. Using lease and other private information collected from RealPage customers, which “include some of the largest property managers in the country,” YieldStar’s algorithm calculates and suggests the highest rents landlords should charge, “push[ing] [them] to go places that [they] wouldn’t have gone if [they] weren’t using it.”¹¹ As one RealPage executive put it, “I think [YieldStar is] driving [rising apartment rents], quite honestly. As a property manager, very few of us would be willing to actually raise rents double digits within a single month by doing it manually.”¹²

RealPage advertises that its customers “outperform the market 3% to 7%,”¹³ “recommend[ing] that landlords in some cases accept a lower occupancy rate in order to raise rents and make more money.”¹⁴ After YieldStar-recommended rents resulted in a 15 percent increase in renter turnover rates for one RealPage customer, Camden Property Trust, “a large investor-backed owner and manager of apartment buildings,” Camden’s CEO acknowledged, “The net effect of driving revenue and pushing people out was \$10 million in income. I think that shows keeping the heads in the beds above all else is not always the best strategy.”¹⁵ This heartless and greedy approach to increasing rents appeared to be the goal from the start: YieldStar was designed to mechanize a housing market where leasing agents had “too much empathy.”¹⁶ According to its developers, “If you have idiots undervaluing, it costs the whole system,” revealing a clear disdain for housing access and affordability.¹⁷

Further, YieldStar’s recommendation that landlords keep units vacant when tenants are unable to meet its asking price undermines efforts to ensure that the housing market is fair and free from discrimination. Keeping rental prices artificially high predictably and disproportionately hurts lower-income tenants, tenants of color, female-headed households, and persons with disabilities.¹⁸ It also undermines efforts to increase housing affordability by expanding the housing supply: zoning reforms and federal investments to increase the supply of housing will not bring rents down if landlords are colluding through algorithms to keep new units empty.

⁹ ProPublica, “Rent Going Up? One Company’s Algorithm Could Be Why,” Heather Vogell, October 15, 2022, <https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent>.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ RealPage, “YieldStar Predicts Market Impact Down to Unit Type and Street Location,” <https://www.realpage.com/videos/yieldstar-data-scientists-help-manage-supply-demand/>.

¹⁴ ProPublica, “Rent Going Up? One Company’s Algorithm Could Be Why,” Heather Vogell, October 15, 2022, <https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent>.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ National Low Income Housing Coalition, “Housing Spotlight: Who Lives in Federally Assisted Housing?” November 2012, pp. 2-3, <https://nlihc.org/sites/default/files/HousingSpotlight2-2.pdf>.

By providing landlords with private data on what competitors charge in rent, YieldStar has spurred concern that “RealPage has birthed a new kind of cartel that allows the nation’s largest landlords to indirectly coordinate pricing.”¹⁹ RealPage not only provides clients access to anonymized, non-public information, but has created a forum – RealPage User Group – which encourages landlords to work together on issues like revenue management, hosts invite-only annual conferences, and organizes quarterly conference calls.²⁰ According to one former Justice Department prosecutor, these collaborative efforts “could raise an antitrust red flag.”²¹ Explaining the antitrust concerns of algorithmic price setting technology used by a group of competitors, former Federal Trade Commission Acting Chair Maureen K. Ohlhausen questioned, “Is it OK for a guy named Bob to collect confidential price strategy information from all the participants in a market and then tell everybody how they should price? ... If it isn’t OK for a guy named Bob to do it, then it probably isn’t OK for an algorithm to do it either.”²²

Landlords’ use of YieldStar is particularly concerning given surging housing costs. Rent inflation is a major driver of overall inflation, composing about one third of the Consumer Price Index (CPI).²³ In September, rent rose 7.2 percent year-over-year,²⁴ the fastest rate in 40 years.²⁵ While the Federal Reserve (the Fed) has aggressively raised interest rates in an effort to bring prices down,²⁶ its actions have increased costs for would-be homebuyers. The price of a 30-year mortgage has more than doubled over just the last ten months to its highest rate in 20 years.²⁷ Would-be homebuyers who are unable to meet higher costs are now locked into an already-strained rental market, which, according to one Zillow economist, “increases demand for rentals, fueling a rise in rent prices.”²⁸

While rising housing costs and limited housing supply have been a strain on renters across the country, they offer lucrative financial opportunity for the nation’s largest landlords. Last year, while families continued to grapple with the economic fallout of the COVID-19 pandemic, the ten largest publicly traded apartment landlords saw their incomes grow by 57 percent after hiking rents, while their executives enjoyed a 23 percent increase in compensation.²⁹ Since the 2008 financial crisis, these corporate landlords have been busy buying up the hundreds of thousands of

¹⁹ ProPublica, “Rent Going Up? One Company’s Algorithm Could Be Why,” Heather Vogell, October 15, 2022, <https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent>.

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ Bureau of Labor Statistics, “Consumer Price Index – September 2022,” October 13, 2022, <https://www.bls.gov/news.release/pdf/cpi.pdf>.

²⁴ *Id.*

²⁵ USA Today, “Rents are rising at fastest pace in 40 years. Why it’s bad for inflation, the Fed, and you.” Medora Lee, September 13, 2022, <https://www.usatoday.com/story/money/economy/2022/09/13/soaring-rent-impact-on-inflation-rate-fed-consumers/10365417002/>.

²⁶ Forbes, “Federal Funds Rate History 1990 to 2022,” Taylor Tepper, September 21, 2022, <https://www.forbes.com/advisor/investing/fed-funds-rate-history/>.

²⁷ Federal Reserve Bank of St. Louis, “30-Year Fixed Rate Mortgage Average in the United States,” <https://fred.stlouisfed.org/series/MORTGAGE30US>.

²⁸ Axios, “Bad news for Seattle-area renters,” Melissa Santos, October 5, 2022, <https://www.axios.com/local/seattle/2022/10/05/outlook-seattle-renters-price-increases>.

²⁹ Accountable.US, “CBS New: ‘Corporate Landlords’ profits have surged despite eviction ban fears,” press release, June 8, 2022, <https://accountable.us/cbs-news-corporate-landlords-profits-have-surged-despite-eviction-ban-fears/>.

the nation's most affordable homes.³⁰ In 2021 alone, they accounted for 13.2 percent of all property purchases in the country.³¹ Certain cities have been targets of heightened investments from these landlords. Nearly 43 percent of homes in Atlanta and 39 percent of homes in the Phoenix-Glendale-Scottsdale area were bought by big investors in the third quarter of 2021.³² As their purchases become more concentrated in local markets and homeownership is consolidated in the hands of a few, corporate landlords face fewer constraints on their price-setting power. Mid-America Apartments, a YieldStar client,³³ hiked rents by an eye-popping average of 18 percent for new leases and 16.5 percent for renewals in the second quarter of 2022.³⁴ When questioned about the impact of rent increases on occupancy, Executive VP and COO Tom Grimes told investors: "I mean we are pushing rates, and we do see a tick-up in move-outs to rent increase. But again, we're moving those folks back in at 22%."³⁵ ProPublica's investigation into YieldStar suggests that your company is playing a key role in further entrenching big landlords' power.

As housing becomes increasingly concentrated within the hands of a few, we are concerned that your software is facilitating a never-ending race to setting the highest possible rents. Given these concerns and those raised in the ProPublica investigation, we request answers to the following questions no later than December 1, 2022:

1. How many clients use YieldStar to price their properties?
2. Across all markets, what was the average annual percentage increase in rent for all clients using YieldStar for each calendar year from 2017 to 2022 (to date)?
3. What are the 25 metropolitan statistical area (MSAs) in which YieldStar has the highest client market share?
4. For each of these 25 MSAs, what was:
 - a. The average annual increase in rent, by percentage and in dollars per month, for each client using YieldStar for each calendar year from 2017 to 2022 (to date).

³⁰ Bankrate, "How real estate investors affect the housing shortage," TJ Porter, August 25, 2022, <https://www.bankrate.com/real-estate/how-investors-affect-housing-shortage/>; House Committee on Financial Services, Subcommittee on Oversight and Investigations, "Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America's Neighborhoods," June 28, 2022, <https://financialservices.house.gov/events/eventsingle.aspx?EventID=409520>.

³¹ National Association of Realtors, "Impact of Institutional Buyers on Home Sales and Single-Family Rentals," May 2022, p. 3, <https://cdn.nar.realtor/sites/default/files/documents/2022-impact-of-institutional-buyers-on-home-sales-and-single-family-rentals-05-12-2022.pdf>.

³² House Committee on Financial Services, Subcommittee on Oversight and Investigations, "Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America's Neighborhoods," June 28, 2022, <https://financialservices.house.gov/events/eventsingle.aspx?EventID=409520>.


³³ ProPublica, "Rent Going Up? One Company's Algorithm Could Be Why," Heather Vogell, October 15, 2022, <https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent>.


³⁴ PR Newswire, "MAA Reports Second Quarter 2022 Results," July 27, 2022, <https://www.prnewswire.com/news-releases/maa-reports-second-quarter-2022-results-301594711.html>.

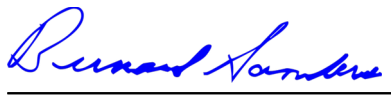
³⁵ Seeking Alpha, "Mid-America Apartment Communities Inc. (MAA) CEO Eric Bolton on Q2 2022 Results – Earnings Call Transcript," July 28, 2022, <https://seekingalpha.com/article/4527129-mid-america-apartment-communities-inc-maa-ceo-eric-bolton-on-q2-2022-results-earnings-call>.

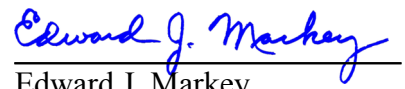
- b. The average vacancy rate for each YieldStar client for each calendar year from 2017 to 2022 (to date)?
5. What information is included in the inputs driving YieldStar’s rental algorithm? Does the algorithm consider information beyond comparable unit rents and vacancy rates? Specifically, does it include information on community demographics?
6. How frequently does YieldStar recommend holding units vacant in favor of higher rents? How long do these vacancies typically last?
7. Please provide copies of any and all promotional material used by YieldStar in 2022 in which the company highlights for landlords its ability to help them maximize rental yield or maximize annual rent increases.

Sincerely,


Elizabeth Warren
United States Senator


Tina Smith
United States Senator


Bernard Sanders
United States Senator


Edward J. Markey
United States Senator