San Francisco becomes first major US city to outlaw multifamily rent-setting software

Roughly 70% of all units in the market use the technology, officials say

A new San Francisco ordinance forbids the use or sale of software that uses nonpublic data to set, recommend, or advise on rent prices or occupancy levels. (Getty Images)

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San Francisco said it has become the first city in the United States to pass a local ordinance banning the use of software and algorithms to set rents or manage occupancy levels for residential units.

City supervisors have accused some third-party revenue management companies including RealPage of collecting and combining large proprietary data sets that contain nonpublic sensitive pricing and supply

data from major landlords and using that information to make rent pricing and occupancy recommendations to apartment operators.

The board cited multiple investigations that have characterized the data sharing as amounting to "unlawful rent-fixing," and claimed the software "has contributed to double-digit rent increases, higher vacancy rates, and higher rates of eviction, and has generally distorted markets so that rents and vacancy rates have increased in tandem."

The ordinance is intended to forbid the use or sale of software that utilizes nonpublic data to set, recommend, or advise on rent prices or occupancy levels, and enables tenants harmed by the practice or the city attorney to take civil action against landlords.

Roughly 70% of all multifamily rental units in San Francisco are under the ownership or management of organizations that use revenue management software, according to the board of supervisors.

Board President Aaron Peskin authored the new restrictions. The ordinance's passing comes after the U.S. Justice Department along with eight state attorneys general, including California, sued RealPage in August.

The federal suit alleges the company violated antitrust laws through a collusion scheme with multifamily landlords that resulted in higher prices for renters. Justice Department officials said the suit came from an investigation that spanned several years.

RealPage told the New York Times it would defend itself against the suit "vigorously" and that its software was "built to be legally compliant." RealPage did not immediately respond to an emailed request to comment from CoStar News.

Algorithmic price fixing has also been identified by the Biden administration as a threat to housing affordability and it has made the issue a policy priority in "the fight against corporate rent gouging," the San Francisco board said.

"Banning automated price-fixing will allow the market to work and bring down rents in San Francisco," Peskin said in a statement from July. "We want to put more units on the market. Let's be clear: RealPage has exacerbated our rent crisis and empowered corporate landlords to intentionally keep units vacant. So, we're taking action locally to ensure our working renters can afford to live here."

Supervisors identified the city's largest residential landlord, Brookfield Properties, along with other large apartment owners and operators including Greystar, Equity Residential, and UDR as clients of RealPage that have allegedly used the software to set rent prices.

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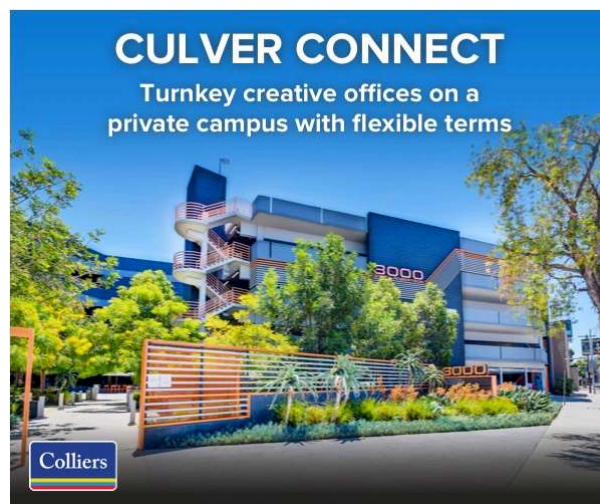
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