Justice Department Sues RealPage for Algorithmic Pricing Scheme that Harms Millions of American Renters

Friday, August 23, 2024

RealPage's Pricing Algorithm Violates Antitrust Laws

The Justice Department, together with the Attorneys General of North Carolina, California, Colorado, Connecticut, Minnesota, Oregon, Tennessee, and Washington, filed a civil antitrust lawsuit today against RealPage Inc. for its unlawful scheme to decrease competition among landlords in apartment pricing and to monopolize the market for commercial revenue management software that landlords use to price apartments. RealPage's alleged conduct deprives renters of the benefits of competition on apartment leasing terms and harms millions of Americans. The lawsuit was filed today in the U.S. District Court for the Middle District of North Carolina and alleges that RealPage violated Sections 1 and 2 of the Sherman Act.

The [complaint](#) alleges that RealPage contracts with competing landlords who agree to share with RealPage nonpublic, competitively sensitive information about their apartment rental rates and other lease terms to train and run RealPage's algorithmic pricing software. This software then generates recommendations, including on apartment rental pricing and other terms, for participating landlords based on their and their rivals' competitively sensitive information. The complaint further alleges that in a free market, these landlords would otherwise be competing independently to attract renters based on pricing, discounts, concessions, lease terms, and other dimensions of apartment leasing. RealPage also uses this scheme and its substantial data trove to maintain a monopoly in the market for commercial revenue management software. The complaint seeks to end RealPage's illegal conduct and restore competition for the benefit of renters in states across the country.

"Americans should not have to pay more in rent because a company has found a new way to scheme with landlords to break the law," said Attorney General Merrick B. Garland. "We allege that RealPage's pricing algorithm enables landlords to share confidential, competitively sensitive information and align their rents. Using software as the sharing mechanism does not immunize this scheme from Sherman Act liability, and the Justice Department will continue to aggressively enforce the antitrust laws and protect the American people from those who violate them."

"Today's complaint against RealPage illustrates our corporate enforcement strategy in action. We identify the most serious wrongdoers, whether individuals or companies, and focus our full energy on holding them accountable," said Deputy Attorney General Lisa Monaco. "By feeding sensitive data into a sophisticated algorithm powered by artificial intelligence, RealPage has found a modern way to violate a century-old law through systematic coordination of rental housing prices — undermining competition and fairness for consumers in the process. Training a machine to break the law is still breaking the law. Today's action makes clear that we will use all our legal tools to ensure accountability for technology-fueled anticompetitive conduct."

"RealPage's egregious, anticompetitive conduct allows landlords to undermine fair pricing and limit housing options while stifling necessary competition," said Acting Associate Attorney General Benjamin C. Mizer. "The Department remains committed to rooting out illegal schemes and practices aimed at empowering corporate interests at the expense of consumers."

"As Americans struggle to afford housing, RealPage is making it easier for landlords to coordinate to increase rents," said Assistant Attorney General Jonathan Kanter of the Justice Department's Antitrust Division. "Today, we filed an antitrust suit against RealPage to make housing more affordable for millions of people across the country. Competition – not RealPage – should determine what Americans pay to rent their homes."

The complaint cites internal documents and sworn testimony from RealPage and commercial landlords that make plain RealPage's and landlords' objective to maximize rental pricing and profitability at the expense of renters. For example:

- RealPage acknowledged that its software is aimed at maximizing prices for landlords, referring to its products as "driving every possible opportunity to increase price," "avoid[ing] the race to the bottom in down markets," and "a rising tide raises all ships."

- A RealPage executive observed that its products help landlords avoid competing on the merits, noting that "there is greater good in everybody succeeding versus essentially trying to compete against one another in a way that actually keeps the entire industry down."

- A RealPage executive explained to a landlord that using competitor data can help identify situations where the landlord "may have a $50 increase instead of a $10 increase for the day."

- Another landlord commented about RealPage's product, "I always liked this product because your algorithm uses proprietary data from other subscribers to suggest rents and term. That's classic price fixing..."

The complaint alleges that RealPage's agreements and conduct harm the competitive process in local rental markets for multi-family dwellings across the United States. Armed with competing landlords' data,

RealPage also encourages loyalty to the algorithm's recommendations through, among other measures, "auto accept" functionality and pricing advisors who monitor landlords' compliance. As a result, RealPage's software tends to maximize price increases, minimize price decreases, and maximize landlords' pricing power. RealPage also trained landlords to limit concessions (e.g., free month(s) of rent) and other discounts to renters. The complaint also cites internal documents from RealPage and landlords touting the fact that landlords have responded by reducing renter concessions.

The complaint separately alleges that RealPage has unlawfully maintained its monopoly over commercial revenue management software for multi-family dwellings in the United States, in which RealPage commands approximately 80% market share. Landlords agree to share their competitively sensitive data with RealPage in return for pricing recommendations and decisions that are the result of combining and analyzing competitors' sensitive data. This creates a self-reinforcing feedback loop that strengthens RealPage's grip on the market and makes it harder for honest businesses to compete on the merits.

RealPage Inc., is a property management software company headquartered in Richardson, Texas.

Updated August 23, 2024

Topic

ANTITRUST

Components

Office of the Attorney General | Antitrust Division | Office of the Associate Attorney General | Office of the Deputy Attorney General

Press Release Number: 24-1047

Related Content

PRESS RELEASE

Justice Department Sues to Block Global Business Travel Group's Proposed Acquisition of CWT Holdings

The Justice Department filed a civil antitrust lawsuit today to stop Global Business Travel Group Inc. (Amex GBT), the largest business travel management company in the world, from acquiring its...

January 10, 2025

Former President of Asphalt Paving Company Pleads Guilty to Bid Rigging

The former president of a Michigan asphalt paving company pleaded guilty Wednesday for his role in a conspiracy to rig bids for asphalt paving services contracts in Michigan.

January 10, 2025

Five Defendants Plead Guilty for Bid Rigging Conspiracies on Commercial Roofing Projects in Central Florida

As part of an ongoing investigation, four individuals and one company have pleaded guilty for their roles in bid-rigging conspiracies throughout central Florida.

January 10, 2025