

February 18, 2025

Housing Committee
Connecticut General Assembly
Legislative Office Building Room 2700
Hartford, CT 06106

H.B. No. 6947 Testimony – Private Equity Stakeholder Project

Dear Members of the Committee,

The Private Equity Stakeholder Project (PESP) is a financial watchdog organization that seeks to bring transparency and accountability to the private equity industry for the benefit of impacted communities and investors.

We appreciate this opportunity to testify in support of H.B. No. 6947 as we believe it would do much to address the harms associated with emerging anticompetitive practices in the housing industry. Prohibiting the use of algorithmic software to set rental prices is an important step in protecting tenants from exploitative rent increases.

In recent years, private equity firms have significantly increased their presence in the housing market, reshaping the landscape of homeownership and rental housing. These investment companies have capitalized on rising housing demand and limited supply by purchasing large volumes of single-family homes, apartment complexes, and manufactured housing communities.¹

The private equity business model poses a particular challenge to affordable housing due to the need to generate high returns on a short timeline. Private equity firms typically seek to generate returns of at least 15% for their investors, about double the return rate of other asset classes. Firms usually strive to generate this return before exiting the business over a short timeline of just 3-5 years.²

¹ June 23, 2022 Memorandum to Members, Committee on Financial Services June 28, 2022, Subcommittee on Oversight & Investigations Hearing Entitled, “Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America’s Neighborhoods.” , House Financial Services Committee Staff, 23 June 2022, www.merkley.senate.gov/wp-content/uploads/imo/media/doc/financial_service_committee_report.pdf.

² Private Equity and Venture Capital: What’s the Difference?, TSG Invest, 21 Dec. 2024, [tsginvest.com/private-equity-and-venture-capital-whats-the-difference/#:~:text=Targeted%20Returns,capital%20\(%E2%80%9CMOIC%E2%80%9D\)](https://tsginvest.com/private-equity-and-venture-capital-whats-the-difference/#:~:text=Targeted%20Returns,capital%20(%E2%80%9CMOIC%E2%80%9D).).

PRIVATE EQUITY STAKEHOLDER PROJECT

This means private equity firms generally do everything possible to maximize cash flow to themselves while cutting costs, including deferring maintenance, skirting regulations, and saddling tenants with junk fees. Millions of people in the United States are at risk of increased economic instability under this financialized housing model, which is often at odds with efforts to address housing affordability.³

In line with their strategy for maximum wealth extraction from tenants, many private equity and corporate landlords have begun using algorithmic software to coordinate and set rent prices in the local communities. The leading firm providing this service is a private equity-owned software company called RealPage.

[RealPage](#) is a corporation that creates software programs for property management and real estate. RealPage is currently owned by [Thoma Bravo](#), a Chicago-based private equity investment firm with over \$166 billion in assets.

RealPage's software offerings include AI screenings that landlords can use to eliminate potential tenants. RealPage also sells YieldStar and AI Revenue Management (AIRM), "revenue management" software programs that direct landlords in setting rental prices.

Yieldstar, RealPage, and Thoma Bravo became the subject of public scrutiny after a 2022 expose by ProPublica titled "[Rent Going Up? One Company's Algorithm Could Be Why.](#)" The article detailed RealPage's semi-monopoly over rental prices. For example, in one Seattle neighborhood 70% of properties were owned by just 10 property managers, all of whom used Yieldstar.

In 2024, the [Department of Justice](#) along with eight Attorneys General announced a lawsuit against RealPage, alleging that "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."

PESP would therefore like to reiterate our strong support for this legislation. States and localities have introduced a number of similar bills this year to address this emerging issue. By passing H.B. No. 6947, Connecticut can lead state efforts to protect tenants from anti-competitive practices in the rental housing industry.

³ Vogell, Heather. When Private Equity Becomes Your Landlord, ProPublica, 7 Feb. 2022, www.propublica.org/article/when-private-equity-becomes-your-landlord.

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Thank you.

Best,

A handwritten signature in black ink, appearing to read "C. Noble". The signature is fluid and cursive, with a period following the first initial.

Chris Noble, Esq.
Policy Director
Private Equity Stakeholder Project