



**Bill No:** SB 609 - Residential Leases - Use of Algorithmic Device by Landlord to Determine Rent - Prohibition

**Committee:** Judicial Proceedings

**Date:** February 11, 2025

**Position:** Unfavorable

The Apartment and Office Building Association (AOBA) of Metropolitan Washington is a non-profit trade association representing the owners and managers of more than 23 million square feet of commercial office space and 133,000 apartment rental units in Montgomery and Prince George's counties. AOBA submits the following testimony in opposition to Senate Bill 609.

SB 609 prohibits housing providers from using an "algorithmic device" to set rents. An algorithmic device is a device that uses or was trained on non-public competitor data to advise housing providers on the amount of rent that they should charge tenants. Non-public competitor data includes actual rent prices, occupancy rates, lease start/end dates, and other similar information that is not easily accessible to the public.

AOBA opposes this bill because algorithmic devices are an important revenue management tool that allow housing providers to keep up with rising operating expenses and increasing capital needs. According to a 2023 analysis by the National Apartment Association<sup>1</sup>, Maryland landlords make an average return of 5% on rent, which is roughly half the historical rate of return of the stock market. Algorithmic devices allow housing providers to set rents that are more responsive to changing market conditions, which can and does include lowering rents when supply dictates it.

In fact, some of the markets with the highest reported use of algorithmic devices have seen also some of the highest amounts of rent decreases. Renters in Austin, TX, for example, saw rent decreases of 6% from 2023 to 2024<sup>2</sup>, despite nearly half of the housing providers in the city reportedly using algorithmic

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<sup>1</sup> NAA: Breaking Down a Dollar of Rent. The data is based on 2022 operating statements from rental properties with 5 or more units securing loans in Freddie Mac CMBS. Data is comprised of lender underwritten financials and appraised values and serialized operating statements extracted from agency multifamily CMBS offering circulars and trustee reports. <https://naahq.org/maryland-where-does-1-rent-go>

<sup>2</sup> <https://www.bizjournals.com/houston/news/2024/01/28/houston-apartment-rents-are-down-in-2023.html>



devices<sup>3</sup>. These decreases were primarily driven by increases in housing supply, which indicates that a lack of new housing construction, not the use of algorithmic devices, is to blame for rising rents.

Austin is not an outlier. A 2023 study from the University of Pennsylvania Wharton School examined the use of algorithmic pricing across the 50 largest metro areas. The study found that algorithmic pricing caused property managers to lower rents more rapidly than non-adopters of algorithmic pricing during economic downturns<sup>4</sup>.

Lastly, the use of non-public competitor data should not be prohibited because it helps create a more transparent market that benefits residents. Actual unit rents are typically set below online advertised rents because the actual rents include concessions given to the tenant (e.g., one-month free rent). By restricting an algorithmic device to the use of publicly advertised data, the algorithmic device will recommend higher rents than it otherwise would have.

Furthermore, competitor data is already required to be shared publicly in Montgomery and Prince George's Counties. Both counties have enacted strict rent stabilization laws that allow housing providers to "bank" the difference in rent between the actual rent increase and the maximum allowed amount<sup>5</sup>. To track banked rents, both counties require the landlords to disclose to the county the amount of actual rent charged for each rental unit. In Montgomery County's case, this data must be input into a public database in real time.

For these reasons, AOBA urges an unfavorable report on Senate Bill 609. For more information, please contact Brian Anleu at [banleu@aoba-metro.org](mailto:banleu@aoba-metro.org).

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<sup>3</sup> <https://www.washingtonpost.com/business/interactive/2025/realpage-lawsuit-rent-map/>

<sup>4</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4403058](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4403058)

<sup>5</sup> For example, if the rent cap is 6% and the housing provider only gives a 3% rent increases, the remaining 3% could be used in a future year.