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ELECTRONICALLY FILED
Superior Court of California,
County of Alameda
02/08/2024 at 10:23:23 AM
By: Milagros Cortez,
Deputy Clerk

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10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
11 **COUNTY OF ALAMEDA**

12 VICTOR MACH and CHELESEA
13 STEPHNEY, individually and on behalf of all
14 others similarly situated,

15 Plaintiffs,

16 v.

17 YARDI SYSTEMS, INC., FPI
MANAGEMENT, INC., LEFEVER
18 MATTSON PROPERTY MANAGEMENT,
LEGACY PARTNERS, INC., MANCO
19 ABBOTT, INC., BALACIANO GROUP f/k/a
CALIFORNIA HOME BUILDERS AND
20 DEELS PROPERTIES, and DOES 1 through
50, inclusive,

21 Defendants.

CASE NO.: **24CV063117**

Assigned for All Purposes to

CLASS ACTION COMPLAINT

1. Violation of California's Cartwright Act: Horizontal Price Fixing;
2. Violation of California's Cartwright Act: Vertical Price Fixing; and
3. Violation of California Unfair Competition Law.

JURY TRIAL DEMANDED

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16 Purpose of Eliminating Competition and Generating Supra-Competitive Rental Pricing

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18 1. Manager Defendants give their confidential leasing information to Yardi and, in

19 return, get RENTmaximizer’s supra-competitive rental pricing. 12

20 2. Yardi ensures the systematic and uniform adoption of RENTmaximizer’s supra-

21 competitive pricing by imposing strict lock downs on overrides and enforcing

22 compliance with its team of Revenue Managers. 19

23 3. Defendants have inflated rental prices for California Multifamily Residential

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1 **I. NATURE OF THE ACTION**

2 1. California is facing an affordable housing crisis. Multifamily rental prices across the state
3 have increased by 20 percent or more since 2020.¹ Contributing to the increases in California rental
4 prices is a cartel composed of California multifamily residential property owners,² owner-operators,³
5 and property managers⁴ (“Manager Defendants”), defined below, that colluded and conspired to
6 artificially inflate the rental prices of multifamily residential units above competitive levels, and to
7 reduce the occupancy of such units below competitive levels through their usage of a centralized pricing
8 software algorithm called “RENTmaximizer,”⁵ created by Defendant Yardi Systems, Inc. (“Yardi”).
9 Plaintiffs Victor Mach and Chelesea Stepney (“Plaintiffs”) challenge this unlawful scheme.

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12 ¹ *The State of the Nation’s Housing 2022*, JOINT CENTER FOR HOUSING STUDIES OF HARV. UNIV., 31
13 (2022),
14 https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2022.pdf (“JCHS”); *see also* Brian Zepeda Vazquez, *New Research Shows Some of California’s Most Affordable Cities Saw Biggest Rent Increase*, NBC LOS ANGELES (updated Aug. 14, 2023, 12:23 PM),
15 <https://www.nbclosangeles.com/news/california-news/new-research-shows-some-of-calif-s-most-affordable-cities-saw-biggest-rent-increases/3201432/>.

16 ² “Owners” own the multifamily rental properties that use RENTmaximizer (now Revenue IQ) to price
17 their multifamily rental units but do not provide any on-site property management services to the
18 properties they own. While property management companies may manage the day-to-day operations
19 on an owner’s building, owners ultimately decide whether or not its units will be priced with
20 RENTmaximizer (now Revenue IQ), and the property management company assigned, contracted
21 with, or hired to provide property management services to the owner’s buildings are acting as the
22 owner’s agent.

23 ³ “Owner-operators” both own and operate, or manage, multifamily rental properties that use
24 RENTmaximizer (now Revenue IQ). Owner-operators provide the day-to-day property management
25 services to the properties it owns and, in some cases, act as the property manager, *infra* footnote 7, of
26 independent multifamily rental property owners. Owner-operators, therefore, function as the owner of
27 multifamily rental properties making the decision to use RENTmaximizer (now Revenue IQ) on the
28 property they own, and as property managers acting as agents on behalf of the independent property
owner, with direct access to RENTmaximizer (now Revenue IQ).

⁴ “Property managers” function exclusively in the day-to-day management of multifamily rental
properties that use RENTmaximizer (now Revenue IQ) to price multifamily rental units. Property
managers, typically, do not have ownership interest in the multifamily rental properties they manage
that use RENTmaximizer (now Revenue IQ). Instead, property managers act as agents of the owners
of the multifamily rental property the property managers manage.

⁵ In or around March 2021, Yardi has rebranded “RENTmaximizer” as “Revenue IQ”. *See Yardi Revenue IQ*, YARDI, 2 (Mar. 3, 2021), <https://resources.yardi.com/documents/revenue-iq-brochure/>.

1 2. The Manager Defendants own or otherwise operate multifamily rental properties across
2 California. They are either owners of the properties they themselves manage or are hired by property
3 owners to manage the owners' properties. In either instance the Manager Defendants either directly, or
4 on behalf of an owner, enter an agreement with Defendant Yardi to use Yardi's RENTmaximizer (now
5 Revenue IQ) product to price multifamily residential units in California. In a competitive market, these
6 property managers would compete among and between one another on unit rental prices to attract
7 renters. That is, in a competitive market, landlords are incentivized to lower their unit rental prices, and
8 offer other concessions, *e.g.*, the first month free, to attract tenants away from competitors to fill vacant
9 units with paying tenants. In a competitive environment, competition would have caused (a) multifamily
10 rental prices to reflect available supply of vacant units and tenant demand; (b) property managers to
11 independently determine when to put vacant residential units on the market, which resulted in
12 unpredictable supply—a natural phenomenon in a competitive market; and (c) when supply exceeded
13 demand, property managers to reduce unit rental prices.

14 3. Because multifamily residential unit rentals are a perishable resource (revenue lost due
15 to vacancies cannot be recouped), California property managers favored a strategy of maximizing
16 physical occupancy or, in industry parlance, a strategy of keeping “heads in the beds.” In other words,
17 when supply exceeded demand, they offered sufficiently attractive rental pricing and lease terms, and
18 even provided concessions to prospective tenants, to maximize occupancy in their multifamily
19 residential properties. Failing to do so, *i.e.*, maintaining high rents or refusing to provide concessions,
20 resulted in competitors taking business away by listing their available units at more attractive
21 competitive pricing. In a competitive market, Manager Defendants, as with all California multifamily
22 residential property managers, faced a dilemma because keeping rental prices high risked that
23 competitors would undercut on price and make other concessions to renters to fill vacant units.

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References to “RENTmaximizer” in the complaint also include “Revenue IQ” by reference. Yardi
markets Revenue IQ, just as it did with RENTmaximizer before, that participating property managers
will “[b]eat the market and gain an average of 6% net rental growth while improving occupancy.” *Id.*
at 1.

1 4. Manager Defendants together with Defendant Yardi unlawfully solved this problem with
2 RENTmaximizer—a centralized rental pricing software marketed by Yardi to “automate” the “rental
3 pricing process” to “beat the market”—simply a phrase for supra-competitive—and increase rental
4 income by “more than 6 [percent].”⁶ With RENTmaximizer, Manager Defendants outsource their rent
5 pricing decisions to Yardi for the purpose of eliminating competition and generating supra-competitive
6 rental pricing for multifamily residential units. According to Terri Dowen, the senior vice president of
7 Yardi sales, “[b]y automating rental pricing that factors in portfolio and market data, RENTmaximizer
8 not only improves rental income while maintaining occupancy, it simplifies the process by eliminating
9 rent rate guesswork and traditional sales devices such as concessions and specials.”⁷

10 5. By design, RENTmaximizer is specifically, and publicly, marketed as a tool to eliminate
11 price competition that would otherwise occur in a competitive market with the goal of raising industry
12 wide profitability. As alleged herein, Manager Defendants agree to use RENTmaximizer knowing that:
13 1) they and other participating California property managers share their confidential rental information
14 with Yardi, and 2) RENTmaximizer’s purpose is to eliminate price competition between and among one
15 another. Yardi openly advertises that RENTmaximizer users “beat the market by a minimum of 2%”
16 and “gain[] on average more than 6% net rental income.”⁸ Yardi even informs property managers: “You
17 manage your business, we manage your pricing.”⁹

18 6. Property managers that use RENTmaximizer have spoken enthusiastically about using
19 RENTmaximizer to eliminate marketplace competition, take the “guesswork” out of pricing strategies,
20 and “beat the market” and impose inflated rental prices on California renters. In a press release, one
21 property manager stated: “Thanks to RENTmaximizer, we have eliminated all concessions and
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25 ⁶ Yardi Multifamily Suite Brochure, at 26, available at
<https://resources.yardi.com/documents/multifamily-suite-brochure/> (last visited Sept. 18, 2023).

26 ⁷ *The Rockbridge Group Increases Rent Revenue with Yardi RENTmaximizer*, Business Wire (June 21,
27 2016, 2:14PM EDT), <https://www.businesswire.com/news/home/20160621005024/en/Rockbridge-Group-Increases-Rent-Revenue-Yardi-RENTmaximizer>.

28 ⁸ *Supra* note 6 at 26

⁹ *Id.*

1 specials.”¹⁰ Another explained “RENTmaximizer has taken the guesswork out of our rental pricing and
2 lease terms, and boosts pricing performance through an intelligent system of measurements, fixed
3 factors and discipline.”¹¹ Another executive vice president expressed: “RENTmaximizer eliminates the
4 fear factor of exposure that is a natural concern for property and regional managers.”¹²

5 7. Others have even been blunter. The President of Ardmore Residential, Brantley White,
6 announced that it raised rents by 5 to 6 percent since implementing RENTmaximizer and proclaimed
7 that “RENTmaximizer has allowed [Ardmore Residential] to push rents more aggressively” while
8 acknowledging that Ardmore Residential “simply wouldn’t have raised rents that much or that quickly
9 on [its] own.”¹³ Tim Reardon, director of revenue management at Bridge Property Management
10 (“BPM”), stated that “[i]n 2014 our RENTmaximizer properties showed 7.37% rent growth, beating
11 respective submarkets by 3.25%”¹⁴ A year later, in 2015, BPM, with the use of RENTmaximizer,
12 reported a 9.4 percent year-over-year income growth for properties priced with RENTmaximizer.¹⁵
13 Another property manager stated that RENTmaximizer allowed it to increase rent per unit without losing
14 business to competitors and went on to explain that it was “able to raise rents at a property we thought
15 was keeping up—now we’re getting \$100 more per unit and maintaining occupancy.”¹⁶

18 ¹⁰ *Supra* note 7.

19 ¹¹ *HNN Associates, LLC Optimizes Rental Pricing Performance with Yardi RENTmaximizer*,
20 BUSINESS WIRE (Feb. 17, 2015, 9:40AM EST),
<https://www.businesswire.com/news/home/20150217005101/en/HNN-Associates-LLC-Optimizes-Rental-Pricing-Performance-with-Yardi-RENTmaximizer>.

21 ¹² *Beztak Grows Rental Income with Yardi RENTmaximizer*, BUSINESS WIRE (June 16, 2017, 8:30AM
22 EDT), <https://www.businesswire.com/news/home/20170616005099/en/Beztak-Grows-Rental-Income-with-Yardi-RENTmaximizer>.

23 ¹³ *Ardmore Residential Raised Rents 5-6% with Yardi RENTmaximizer*, BUSINESS WIRE (Apr. 21,
24 2016, 9:00 EDT), <https://www.businesswire.com/news/home/20160421005001/en/Ardmore-Residential-Raises-Rents-5-6-with-Yardi-RENTmaximizer>.

24 ¹⁴ *2016 NMHC 50*, NATIONAL MULTIFAMILY HOUSING COUNCIL, 13 (2016).

25 ¹⁵ *Bridge Property Management Gains 9.4% Year-Over-Year Rental Growth with Yardi*
26 *RENTmaximizer*, BUSINESS WIRE (Sept. 29, 2015, 9:00 EDT),
<https://www.businesswire.com/news/home/20150929005288/en/Bridge-Property-Management-Gains-9.4-Year-Over-Year-Rental-Growth-with-Yardi-RENTmaximizer>.

27 ¹⁶ *Dalton Management Reports Increased Revenue Using Yardi RENTmaximizer*, BUSINESS WIRE
28 (May 19, 2016, 8:00AM EDT),
<https://www.businesswire.com/news/home/20160519005003/en/Dalton-Management-Reports-Increased-Revenue-Using-Yardi-RENTmaximizer>.

1 8. To effectuate their collusion, Manager Defendants engage in a “give to get” scheme with
2 Yardi. As described more fully below, Manager Defendants give Yardi confidential, competitively
3 sensitive information, such as rent rolls and leasing terms, and, in return, get RENTmaximizer’s
4 forward-looking, unit specific supra-competitive rental pricing and supply, *i.e.*, lease length, outputs.
5 RENTmaximizer leverages the confidential information provided by all Manager Defendants—that is,
6 competitors of each other—to generate supra-competitive rental pricing outputs that account for unit
7 type, size, location, move-in date, and lease length. RENTmaximizer’s rental price output is calculated
8 from the competitively sensitive rental information provided by *all* Manager Defendants and not just
9 the nonpublic data of a particular property manager. In other words, Manager Defendants’ nonpublic
10 rental data is both fed into the algorithm and is, in turn, spit out of the algorithm in the form of the
11 forward-looking, unit specific supra-competitive pricing and supply outputs generated by
12 RENTmaximizer. Moreover, Manager Defendants understand and know that they are supplying their
13 confidential rental information to Yardi, and that other property managers are doing the same, to get
14 RENTmaximizer’s pricing and supply outputs. RENTmaximizer’s forward-looking, unit specific supra-
15 competitive rental prices and supply outputs are updated daily, and Manager Defendants adopt the
16 pricing and supply outputs produced by RENTmaximizer without modification in the course of leasing.

17 9. To ensure compliance, however, Yardi builds strict lock downs and permission structures
18 into RENTmaximizer to virtually eliminate client overrides of the rental prices and lease lengths
19 generated by RENTmaximizer. And, while those barriers to overriding can vary at the margins for
20 individual property managers, RENTmaximizer’s lock downs and permission structures are functionally
21 the same for every Manager Defendant. Manager Defendants know and understand that they each are
22 bound by substantively and operationally the same lock downs and permission structures that thwart
23 competitor overrides, the effect of which is the uniform adoption of RENTmaximizer’s “best” prices.
24 More egregiously, Yardi enforces compliance with the algorithm through its team of “Revenue
25 Managers” who monitor all pricing “exceptions” requested by property managers and use “exceptions
26 reports” to hold Manager Defendants to RENTmaximizer’s pricing and supply outputs. As such,
27 especially for new leases, Managers Defendants almost never override RENTmaximizer’s forward-
28

1 looking, unit specific supra-competitive pricing and supply outputs. To the extent that the pricing and
2 supply outputs are “recommended,” they are recommended in name only.

3 10. Yardi has designed RENTmaximizer so that Manager Defendants need not communicate
4 directly with one another to coordinate their pricing. Although Manager Defendants do not directly share
5 their pricing strategies between one-another, they all know that they share confidential rental
6 information with Yardi and that their competitively sensitive data is then used by RENTmaximizer to
7 generate forward-looking, unit specific supra-competitive pricing and supply outputs to increase
8 industry wide profits on the backs of California renters. Manager Defendants need only accept the
9 algorithmically generated, forward-looking, unit specific, supra-competitive rental price and supply
10 outputs—and they do accept RENTmaximizer’s outputs—knowing that all other Manager Defendants
11 and participating California property managers will do the same because of Yardi’s system wide lock
12 downs, overriding restrictions and permission structures, and the team of “Revenue Managers.” Thus,
13 Manager Defendants each agreed to use RENTmaximizer for their rental pricing and supply decisions
14 with the understanding that they all agreed to do the same.

15 11. This kind of pricing and supply delegation—competitor firms entering into separate
16 agreements with a single firm to use a particular pricing algorithm with a common understanding that
17 all competitors would use the same pricing algorithm—between Manager Defendants and Yardi is a
18 concerted competitor action that the Cartwright Act reaches and prohibits. Defendants’ collusion to
19 charge supra-competitive rental prices has resulted in dramatic rental increases throughout California.

20 12. Defendants’ cartel has stifled competition in the California multifamily residential rental
21 market and continues to exacerbate the affordable housing crisis in this state. The cartel Plaintiffs
22 challenge is unlawful under the Cartwright Act and Unfair Competition Law. Plaintiffs bring this action
23 to recover their damages, trebled, as well as private and public injunctive and other appropriate relief,
24 detailed below, on behalf of all others similarly situated.

25 **II. PARTIES**

26 **A. Plaintiffs**

27 13. Plaintiff Victor Mach is a citizen of California and a resident of Oakland. He has rented
28 a multifamily residential unit in a property known as 225 Clifton Apartments in Oakland, Alameda

1 County, California, from at least April 2022 to the present. Defendant Property Manager FPI
2 Management, Inc. manages this property using Yardi’s RENTmaximizer (now Revenue IQ) software.
3 Consequently, Mr. Mach paid higher rental prices because of the violations alleged herein.

4 14. Plaintiff Chelesea Stephney is a citizen of California and a resident of Sacramento. She
5 has rented a multifamily residential unit in a property known as Copper Creek Apartments in
6 Sacramento, Sacramento County, California, from at least August 2020 to the present. Defendant
7 Property Manager FPI Management, Inc. manages this property using Yardi’s RENTmaximizer (now
8 Revenue IQ) software. Consequently, Ms. Stephney paid higher rental prices because of the violations
9 alleged herein.

10 **B. Defendants**

11 **1. Yardi Systems, Inc.**

12 15. A citizen of California, Yardi is a leading provider of software solutions for the real estate
13 industry, with software services that include property management, accounting, marketing, leasing, and
14 market and business intelligence. With its principal place of business in Santa Barbara, California, and
15 offices worldwide, Yardi is a private company that was established in 1984 by Anant Yardi. The
16 company currently has over 9,000 employees. Many of the largest property management companies in
17 California use Yardi’s software.

18 **2. Manager Defendants.**

19 16. Defendant FPI Management, Inc. (“FPI”) is a California citizen and corporation
20 headquartered in Folsom, California. FPI is the largest manager of multifamily rental real estate
21 headquartered in California, with over 600 California residential properties under management. FPI
22 entered into a written contract, paid for, and used RENTmaximizer (now Revenue IQ) software to
23 artificially raise the rental prices of its multifamily residential property leases located in California,
24 knowing that doing so required it to share confidential, competitively sensitive pricing and leasing
25 information with Yardi to get RENTmaximizer’s forward-looking, unit specific supra-competitive
26 rental pricing and supply outputs thereby artificially raising the multifamily unit rents in California. FPI
27 entered into its contract with Yardi knowing that all other members were horizontal competitors that
28 would also share proprietary data necessary for RENTmaximizer to generate its pricing and supply

1 outputs, all members would delegate their rental price and supply decisions to Yardi, and all members
2 would abide by the pricing and supply outputs generated by RENTmaximizer.

3 17. LeFever Mattson Property Management (“LeFever Mattson”) is a California citizen and
4 corporation headquartered in Citrus Heights, California. LeFever Mattson manages a portfolio of over
5 3,000 residential units in California. LeFever Mattson entered into a written contract, paid for, and used
6 Yardi’s RENTmaximizer (now Revenue IQ) software to artificially raise the rental prices of its
7 multifamily residential property leases located in California, knowing that doing so required it to share
8 confidential, competitively sensitive pricing and leasing information with Yardi to get
9 RENTmaximizer’s forward-looking, unit specific supra-competitive rental pricing and supply outputs
10 thereby artificially raising the multifamily unit rents in California. LeFever Mattson entered into its
11 contract with Yardi knowing that all other members were horizontal competitors that would also share
12 proprietary data necessary for RENTmaximizer to generate its pricing and supply outputs, all members
13 would delegate their rental price and supply decisions to Yardi, and all members would abide by the
14 pricing and supply outputs generated by RENTmaximizer.

15 18. Legacy Partners, Inc. (“Legacy Partners”) is a California citizen headquartered in Foster
16 City, California. Legacy Partners is a Delaware corporation. Legacy Partners manages more than 30
17 multifamily residential properties in California. Legacy Partners entered into a written contract, paid
18 for, and used Yardi’s RENTmaximizer (now Revenue IQ) software to artificially raise the rental prices
19 of its multifamily residential property leases located in California, knowing that doing so required it to
20 share confidential, competitively sensitive pricing and leasing information with Yardi to get
21 RENTmaximizer’s forward-looking, unit specific supra-competitive rental pricing and supply outputs
22 thereby artificially raising the multifamily unit rents in California. Legacy Partners entered into its
23 contract with Yardi knowing that all other members were horizontal competitors that would also share
24 proprietary data necessary for RENTmaximizer to generate its pricing and supply outputs, all members
25 would delegate their rental price and supply decisions to Yardi, and all members would abide by the
26 pricing and supply outputs generated by RENTmaximizer.

27 19. Manco Abbott, Inc. (“Manco Abbott”) is a California citizen and corporation
28 headquartered in Fresno, California. Manco Abbot manages more than 30 multifamily residential

1 properties in California. Manco Abbott entered into a written contract, paid for, and used Yardi’s
2 RENTmaximizer (now Revenue IQ) software to artificially raise the rental prices of its multifamily
3 residential property leases located in California, knowing that doing so required it to share confidential,
4 competitively sensitive pricing and leasing information with Yardi to get RENTmaximizer’s forward-
5 looking, unit specific supra-competitive rental pricing and supply outputs thereby artificially raising the
6 multifamily unit rents in California. Manco Abbot entered into its contract with Yardi knowing that all
7 other members were horizontal competitors that would also share proprietary data necessary for
8 RENTmaximizer to generate its pricing and supply outputs, all members would delegate their rental
9 price and supply decisions to Yardi, and all members would abide by the pricing and supply outputs
10 generated by RENTmaximizer.

11 20. Balaciano Group f/k/a California Home Builders and DEELS Properties¹⁷ (“Balaciano”)
12 is a California citizen and corporation headquartered in Canoga Park, California. Balaciano manages
13 approximately 14 multifamily residential properties in California. Balaciano entered into a written
14 contract, paid for, and used Yardi’s RENTmaximizer (now Revenue IQ) software to artificially raise the
15 rental prices of its multifamily residential property leases located in California, knowing that doing so
16 required it to share confidential, competitively sensitive pricing and leasing information with Yardi to
17 get RENTmaximizer’s forward-looking, unit specific supra-competitive rental pricing and supply
18 outputs thereby artificially raising the multifamily unit rents in California. Balaciano entered into its
19 contract with Yardi knowing that all other members were horizontal competitors that would also share
20 proprietary data necessary for RENTmaximizer to generate its pricing and supply outputs, all members
21 would delegate their rental price and supply decisions to Yardi, and all members would abide by the
22 pricing and supply outputs generated by RENTmaximizer.

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26 ¹⁷ BALACIANO.COM, <https://balaciano.com/> (“INTRODUCING Balaciano Group Formerly Known As
27 California Home Builders and Deals Properties”) (last accessed Dec. 5, 2023); Balaciano Group,
28 LINKEDIN, [https://www.linkedin.com/company/balaciano-
group?original_referer=https%3A%2F%2Fwww.google.com%2F](https://www.linkedin.com/company/balaciano-group?original_referer=https%3A%2F%2Fwww.google.com%2F) (“About us * Balaciano Group
(FKA California Home Builders/DEELS Properties”) (last accessed Dec. 5, 2023).

1 21. The true names of defendants Does 1 through 50 are unknown to Plaintiffs at this time.
2 and accordingly, pursuant to Cal. Code Civ. P. § 474, Plaintiffs sue said defendants by such fictitious
3 names. Plaintiffs believe that Defendant Yardi possesses the true names of Does 1 through 50. When
4 the true names of said defendants have been ascertained, Plaintiffs will amend this complaint
5 accordingly. Does 1 through 50 are multifamily residential managers, whose principal place of business
6 and citizenship is in California, and who operate multifamily residential properties in California and
7 used Yardi’s RENTmaximizer (now Revenue IQ) software in setting prices for their multifamily
8 residential property leases in California during the class period.

9 **III. JURISDICTION AND VENUE**

10 22. This Court has jurisdiction over this matter because Alameda County, California is the
11 county wherein a substantial part of the events giving rise to the claims set forth herein occurred.

12 23. Defendants are subject to the personal jurisdiction of this Court because known and
13 unknown Defendants operate, conduct, engage in, carry on business, or otherwise are located and
14 headquartered in California.

15 24. Venue is proper in Alameda County Superior Court pursuant to Cal. Code Civ. P. §
16 395(b) because Plaintiff Mr. Mach entered into his lease and resides in Alameda County.

17 **IV. FACTUAL ALLEGATIONS.**

18 **A. Relevant Market: California Multifamily Residential Leases.**

19 25. The relevant product market is the market for the lease of multifamily residential rental
20 properties and the relevant geographic market, which is comprised of relevant submarkets, is California.

21 26. There are no other close economic substitutes to this product market. The purchase of
22 residential property requires the ability to make a substantial down payment and to obtain financing.
23 Additionally, short-term rentals are not equivalent to permanent purchasing. Furthermore, single family
24 residential properties typically do not offer amenities or forms of security. For this reason, customer
25 preferences do not consider these two markets to be close substitutes to the multifamily residential rental
26 property market when met with anticompetitive and inflated pricing.

1 27. Yardi itself differentiates the multifamily residential real estate market as a separate and
2 distinct market form other residential markets including, *inter alia*, senior living, affordable housing,
3 social housing, student housing, single-family housing, military housing, and commercial properties.

4 28. The multifamily residential rental property market is properly defined because, pursuant
5 to the Manager Defendants’ agreement not to compete on price, landlords are able to increase rents in
6 excess of 6 percent yet those increases have not driven enough renters out of the market such that
7 increases have become unprofitable.

8 **B. Historical Pricing and Practices of Multifamily Residential leases.**

9 29. Before Defendant Yardi’s RENTmaximizer facilitated collusion among the Manager
10 Defendants, landlords acted and priced units independently by following the policy of physical
11 occupancy. Landlords operated independently in pricing their units. An unrented property was a lost
12 opportunity to earn revenue for that day, and therefore, landlords offered sufficiently attractive pricing
13 to maintain maximum “physical occupancy” across their units. This could come in the form of reduced
14 prices—often termed concessions—such as “first eight weeks free” or “one-month free parking,” among
15 others.¹⁸

16 30. This maximization of “heads in the beds” strategy also minimized turnover expenses, as
17 there were hard costs associated with finding and evaluating a replacement tenant as well as lost revenue
18 opportunities if the unit sat vacant between tenants.

19 31. In this manner, landlords across the state who did not use RENTmaximizer worked
20 towards ensuring maximum physical occupancy and, in doing so, manually and independently reduced
21 prices to attract tenants to sign leases or renew existing leases. Therefore, independent pricing decisions
22 ensured a market share strategy over high-pricing strategy, thereby permitting the market to operate
23 under conditions of fair competition.

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27 ¹⁸ See Patricia Todoran, *Mission Success: Driven by Data*, Multi-Housing News (Sept. 6, 2018),
28 <https://www.multipropertynews.com/mission-success-driven-by-data/> (noting how data driven analytics allow property management companies to keep concessions “very minimal” while keeping rental rates “on the rise.”)

1 **C. Manager Defendants Share Confidential Leasing Information with Yardi for the**
2 **Purpose of Eliminating Competition and Generating Supra-Competitive Rental**
3 **Pricing Through RENTmaximizer.**

4 **1. Manager Defendants give their confidential leasing information to Yardi**
5 **and, in return, get RENTmaximizer’s supra-competitive rental pricing.**

6 32. As explained above, in a competitive market, multifamily residential California property
7 managers price rents independently based on their own assessment of the supply and demand, by, for
8 example, offering pricing concessions or other leasing specials, to fill vacant units. Failure, or refusal,
9 to reduce rental prices or otherwise offer concessions to prospective tenants, when the supply of
10 available units outpaced demand, risked landlords being undercut by competitors.

11 33. Without the ability to coordinate their pricing with competitors, property managers could
12 not unilaterally raise their rents above market rates because that would result in losing prospective
13 tenants to competitors. In other words, a philosophy of economic occupancy, *i.e.*, increasing rental prices
14 while accepting the resulting reduction in physical occupancy, results in a dilemma in that competitors
15 will undercut rental prices, or make other concessions, to prospective renters to increase their market
16 share at the expense of their competitors. With collusion, however, this price competition is avoided,
17 and the dilemma is solved.

18 34. Accordingly, Yardi and Manager Defendants came up with that collusive strategy:
19 collectively agree to give Yardi confidential leasing information, such as rent rolls and leasing terms,
20 with the understanding that such data will be leveraged by RENTmaximizer to generate forward-
21 looking, unit specific supra-competitive rental pricing. By participating in Yardi’s “give to get” scheme
22 Manager Defendants know that RENTmaximizer uses their individual confidential rental information
23 to generate its supra-competitive pricing and supply outputs and that the algorithm’s outputs will be
24 routinely adopted by themselves and their competitors.

25 35. Defendants effectuate their “give to get” scheme through Yardi’s widely used and
26 expansive property management software known as Yardi Voyager Enterprise Resource Planning (or
27 “Yardi Voyager”), which allows multifamily property managers in California, and across the country,
28

1 to “[c]entralize operational, financial, leasing and maintenance management”¹⁹ into a single, centralized
2 database.²⁰ There are approximately thirty different applications, or software modules, property
3 managers can purchase that are fully integrated with Yardi Voyager. One such module, first launched
4 in 2011, is the “revenue management system” called RENTmaximizer.

5 36. RENTmaximizer was, and is, intended to “automate[] the rental pricing process” and
6 help “multifamily property managers maximize rental income” by “increasing a multifamily property
7 owner’s revenue by 3 to 6 percent.”²¹ Specifically, RENTmaximizer:

8 helps apartment owners and managers set prices directly from the trends of
9 supply, demand and market conditions (i.e., market comparisons). Using pricing
10 algorithms, this holistic trends-and-rules-based model helps multifamily property
11 managers **maximize rental income** and occupancy **by pricing each new and
renewal lease for maximum revenue**. Yardi RENTmaximizer also provides
complete transparency into how the price was determined to further facilitate the
leasing process.²²

12 37. According to Dharmendra Sawh, one of the two experts Yardi hired to help launch
13 Yardi’s new algorithmic pricing software, RENTmaximizer represented Yardi’s attempt to make
14 “automated rental pricing a key element of the [Yardi] platform.”²³

15 38. Since its inception, the purpose of RENTmaximizer was to, in effect, delegate the
16 multifamily residential unit rental pricing decision making process from property managers, including
17 Manager Defendants, to Yardi, once competitively sensitive information had been shared, compiled,
18 and evaluated for pricing increase opportunities. That is, RENTmaximizer was intended to eliminate the
19 traditional methods of competition, such as rent concessions and other specials property managers
20 offered to prospective tenants in a competitive market, by fully automating pricing and supply decisions
21 to the RENTmaximizer algorithm that was designed to generate forward-looking, unit specific supra-

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24 ¹⁹ *Voyager Residential*, YARDI, <https://www.yardi.com/products/yardi-voyager-residential/> (last visited
25 Oct. 17, 2023).

²⁰ *Supra* note 6 at 2.

26 ²¹ *Yardi Adds Two Revenue Management Experts to its Yardi RENTmaximizer Team*, BUSINESS WIRE
27 (June 22, 1011, 2:14PM EDT), <https://www.businesswire.com/news/home/20110622006700/en/Yardi-Adds-Two-Revenue-Management-Experts-to-its-Yardi-RENTmaximizer-Team>.

28 ²² *Id.* (emphasis supplied).

²³ *Id.*

1 competitive rental pricing. Indeed, according to Yardi, this was one of the “key benefits”²⁴ of
2 RENTmaximizer: “[b]y automating rental pricing that factors in portfolio and market data,
3 RENTmaximizer not only improves rental income while maintaining occupancy, it simplifies the
4 process by eliminating rent rate guesswork and traditional sales devices such as concessions and
5 specials.”²⁵

6 39. The key inputs for RENTmaximizer’s pricing algorithm are competitor rent rolls and
7 other confidential leasing data. Specifically, RENTmaximizer automatically incorporates property
8 managers’, including Manager Defendants’, confidential leasing data—*e.g.*, rental rates, occupancy,
9 location, unit type, and lease length—into its algorithm by extracting that information when entered into
10 Yardi Voyager. Typically, this real-time confidential rental information automatically makes its way
11 into Yardi Voyager directly through the paperless leasing process, or Yardi “kiosk” deployed by most
12 property managers. Meanwhile, RENTmaximizer also incorporates market specific information on
13 “comparative rent” from other sources, which Yardi verifies by calling competing property managers
14 acting as “blind shoppers.”

15 40. RENTmaximizer leverages Manager Defendants’, and participating property managers’,
16 confidential rental information, as well as the comparative data Yardi compiles from other sources, so
17 that the algorithm’s pricing output can generate rental pricing based on the same unit type (*e.g.*, studio,
18 1 bedroom, 2 bedrooms, etc.), size, location, lease length, and move in date. That is, the confidential
19 rental data harvested from Manager Defendants, and participating property managers, is fed into
20 RENTmaximizer, and the algorithm then calculates its supra-competitive pricing and supply output
21 based on all competitors’ confidential rental data. RENTmaximizer’s pricing and supply outputs are
22 thus generated on an apples-to-apples basis giving Manager Defendants confidence that the algorithm’s
23 pricing output is the “best” forward-looking, unit-specific pricing for like multifamily units and thereby
24 eliminating the need for Manager Defendants to exchange their internal ledgers. In this way,

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27 ²⁴ *Supra* note 6 at 28 (explaining that one “Key Benefit” of RENTmaximizer is that the algorithm
28 “[a]utomates consistent decisions and improves compliance[.]”).

²⁵ *See supra* note 7.

1 RENTmaximizer is designed to eliminate that barrier to price collusion and coordination. Or, as
2 RENTmaximizer is marketed by Yardi to Manager Defendants: “You manage your business, we manage
3 your pricing.”²⁶

4 41. One publicly available Yardi user manual for Towne Properties illustrates, as shown
5 below,²⁷ how RENTmaximizer automatically establishes the “best” daily price, as calculated from the
6 competitively sensitive and comparative information it obtains from competitor property managers, for
7 any particular unit based on move-in date, lease length, and location.

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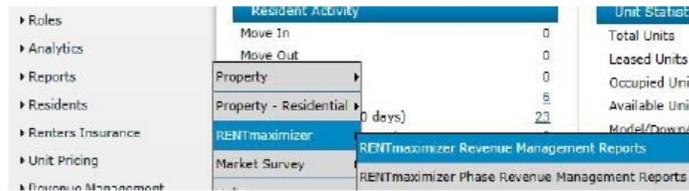
26

27 ²⁶ *Supra* note 6 at 26.

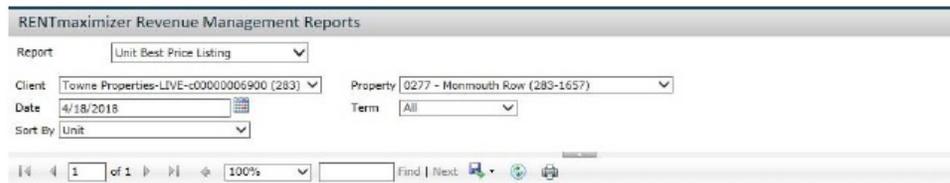
28 ²⁷ Towne Property Yardi Manual, available at: https://docplayer.net/186429673-Towne-properties-yardi-manual.html#google_vignette (last accessed Sept. 22, 2023).

RENT MAXIMIZER PRICING REPORT

1. From your Dashboard Home page, click on Reports > RENTmaximizer > RENTmaximizer Revenue Management Reports.



2. Select the Unit Best Price Listing Report, choose your Property and select today's date – Click View Report.



Unit Best Price Listing for Property: 0277 - Monmouth Row for 4/18/2018

| Unit | Unit Type | Description | Unit Status | Available Date | Date Vacant | Amenities | Best Price | Term | Move In Date Range |
|------|-----------|-------------------------------|-----------------------|----------------|-------------|--|------------|------|--------------------|
| 111D | 02772c | The Saratoga (2 bed - 2 bath) | Vacant Unrented Ready | Now | 3/31/2018 | Corner Bay Window 2BD, Third Floor 2BD | \$1531 | 18 | 4/18/2018 5/1/2018 |
| 112G | 02771b | The Monmouth (1 bed - 1 bath) | Vacant Unrented Ready | Now | 12/21/2017 | Patio Balcony, Second Floor | \$1063 | 18 | 4/18/2018 5/1/2018 |
| 111C | 02771c | The Monroe (1 bed - 1 bath) | Vacant Unrented Ready | Now | 3/15/2018 | Patio Balcony | \$1038 | 18 | 4/18/2018 5/1/2018 |

3. This will populate the Best price (with the specific move in time frame and lease term). If your prospect is looking for a different move in date or different lease term, just click on the monthly rent amount, and that will populate all your options for that specific unit.

Unit Pricing for 4/18/2018

| Unit: | 112G (283-135318) | | | Unit Type: |
|--------------|-----------------------|----------|-----------|--------------|
| Unit Status: | Vacant Unrented Ready | | | Description: |
| Term | 4/18/2018 | 5/2/2018 | 5/9/2018 | |
| | 5/1/2018 | 5/8/2018 | 5/15/2018 | |
| 18 | 1,063 | 1,073 | 1,087 | |
| 17 | 1,067 | 1,075 | 1,089 | |
| 16 | 1,066 | 1,080 | 1,096 | |
| 15 | 1,070 | 1,079 | 1,096 | |
| 14 | 1,074 | 1,085 | 1,102 | |
| 13 | 1,080 | 1,091 | 1,110 | |
| 12 | 1,088 | 1,098 | 1,119 | |
| 11 | 1,096 | 1,109 | 1,131 | |
| 10 | 1,105 | 1,119 | 1,144 | |
| 9 | 1,107 | 1,133 | 1,160 | |

42. As shown above, the “best” price for the example provided in the Towne Properties manual varies from \$1,063 per month up to \$1,160 per month depending on the move in date and lease length, *i.e.*, supply. As explained in greater detail below, RENTmaximizer’s pricing and supply outputs cannot be overridden or otherwise modified by the on-site leasing agent who interacts with prospective renters.

1 43. Additionally, other pages of that manual demonstrate that “property pricing is controlled
2 by Revenue Management” which refers to RENTmaximizer.

3

4 Renewal Proposal Filter

5 Property pricing is controlled by Revenue Management. 

6 Prop/List 0092

7 Agent Arielle Curry

8 Batch Description JenniferMason@towneproperties.com - 8/5/2019 9:41:17 AM

9 Unit Type

10 Unit

11 Resident

12 Status Current
 Eviction
 Notice

13 Lease Expiration 11/01/2019 11/30/2019

14 Include MTM? Exclude

15 Include Specials?

16 Update Rentable No
 Items to
 Market Rent?

17 Proposal Exp. Date 08/31/2019

18 Submit Help

19 44. The RENTmaximizer algorithm updates these “best” prices daily and Yardi openly
20 markets RENTmaximizer’s rental prices as operating on a positive “feedback loop” allowing property
21 managers to “beat the market by a minimum of 2%” and “gain[] on average more than 6% net rental
22 income.”²⁸ RENTmaximizer incorporates the confidential leasing information of participating property
23 managers, including Manager Defendants, to eliminate pricing competition between them by
24 recommending inflated rental prices for similar unit styles, sizes, location, and lease lengths calculated
25 to beat a competitive market. Each Manager Defendant knows and understands that their individual

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28 ²⁸ *Supra* note 6 at 26.

1 confidential rental information is being supplied to RENTmaximizer and that the algorithm’s rental
2 pricing outputs are calculated from the confidential rental information they—and other property
3 managers—provided.

4 45. RENTmaximizer has liberated participating property managers, including Manager
5 Defendants, from the price competition that would otherwise be found in a competitive market, e.g.,
6 discounts and concessions, while raising rental prices and beating the market.

7 46. Testimonials from executives at participating management companies speak directly to
8 this point:

- 9 • by eliminating concessions, RENTmaximizer “eliminates guesswork by our
10 property managers,” and increases rental income.²⁹
- 11 • “With RENTmaximizer, we quickly increased our rental income and reduced
12 concessions,”³⁰
- 13 • Yardi RENTmaximizer’s automated pricing matrix has allowed us to
14 eliminate concessions.”³¹
- 15 • “Thanks to RENTmaximizer, we have eliminated all concessions and
16 specials.”³²
- 17 • “[the] Concession Leasing Step will always be empty. Click Next to go onto
18 the next step.”³³

19 47. Another property manager executive explained that after implementation,
20 “RENTmaximizer [took] the guesswork out of pricing and automates assessments using inventory and
21

22 ²⁹ *BSR Trust LLC Increases Rental Income with Yardi RENTmaximizer*, BUSINESS WIRE (July 19,
23 2012, 3:05 EDT), [https://www.businesswire.com/news/home/20120719006370/en/BSR-Trust-LLC-](https://www.businesswire.com/news/home/20120719006370/en/BSR-Trust-LLC-Increases-Rental-Income-with-Yardi-RENTmaximizer)
[Increases-Rental-Income-with-Yardi-RENTmaximizer](https://www.businesswire.com/news/home/20120719006370/en/BSR-Trust-LLC-Increases-Rental-Income-with-Yardi-RENTmaximizer).

24 ³⁰ *Alco Management, Inc. Increases Overall NRI by Nearly 4% and Improves Occupancy with Yardi*
RENTmaximizer, BUSINESS WIRE (Apr. 8, 2015, 9:45 EDT),
25 [https://www.businesswire.com/news/home/20150408005205/en/Alco-Management-Inc.-Increases-](https://www.businesswire.com/news/home/20150408005205/en/Alco-Management-Inc.-Increases-Overall-NRI-by-Nearly-4-and-Improves-Occupancy-with-Yardi-RENTmaximizer)
[Overall-NRI-by-Nearly-4-and-Improves-Occupancy-with-Yardi-RENTmaximizer](https://www.businesswire.com/news/home/20150408005205/en/Alco-Management-Inc.-Increases-Overall-NRI-by-Nearly-4-and-Improves-Occupancy-with-Yardi-RENTmaximizer).

26 ³¹ *Yardi RENTmaximizer Give Summit Management Services Inc. New Rental Pricing Insight*,
27 BUSINESS WIRE (Jan. 31, 2012, 11:05 EST),
[https://www.businesswire.com/news/home/20120131006159/en/Yardi-RENTmaximizer-Gives-](https://www.businesswire.com/news/home/20120131006159/en/Yardi-RENTmaximizer-Gives-Summit-Management-Services-Inc.-New-Rental-Pricing-Insight)
[Summit-Management-Services-Inc.-New-Rental-Pricing-Insight](https://www.businesswire.com/news/home/20120131006159/en/Yardi-RENTmaximizer-Gives-Summit-Management-Services-Inc.-New-Rental-Pricing-Insight).

28 ³² *Supra* note 7.

³³ *Supra* note 27.

1 market data” and that RENTmaximizer simplified the “uncertainty about various factors including
2 holding units, leasing notice units and structural vacancy” while “validat[ing] rents.”³⁴

3 48. Defendants and co-conspirators can push rents more aggressively and without “the fear
4 factor of exposure” because they understand that competitors will not undercut their pricing. The
5 following statements by management company executives illustrate this point and demonstrate how
6 competition has been restrained:

- 7 • “RENTmaximizer has allowed us to push rents more aggressively” by 5–6
8 percent and that it “simply wouldn’t have raised rents that much or that
9 quickly on [its] own.”³⁵ (emphasis added)
- 10 • “RENTmaximizer eliminates the fear factor of exposure that is a natural
11 concern for property and regional managers.”³⁶
- 12 • “RENTmaximizer has taken the guesswork out of our rental pricing and lease
13 terms, and boosts pricing performance through an intelligent system of
14 measurements, fixed factors and discipline.”³⁷

15 **2. Yardi ensures the systematic and uniform adoption of RENTmaximizer’s
16 supra-competitive pricing by imposing strict lock downs on overrides and
17 enforcing compliance with its team of Revenue Managers.**

18 49. Following RENTmaximizer’s entry, Manager Defendants swiftly, and concertedly,
19 shifted from the previous competitive market share over price strategy to a new collusive price over
20 volume strategy. A price over volume strategy is a hallmark of pricing in a cartelized market. Yardi, and
21 Manager Defendants, with their use of RENTmaximizer, have adopted a philosophy of embracing
22 economic occupancy, that is, increasing prices notwithstanding market conditions and tolerating any
23 reduction in physical occupancy those increases might engender.

24 50. RENTmaximizer allows its users to beat the market and raise revenues while dropping
25 physical occupancy levels. As one property manager explained:

26 ³⁴ *KRE Group Grows Profits and Occupancy with Yardi RENTmaximizer*, BUSINESS WIRE (Mar. 14,
27 2017, 8:30AM EDT), [https://www.businesswire.com/news/home/20170314005389/en/KRE-Group-
28 Grows-Profits-and-Occupancy-with-Yardi-RENTmaximizer](https://www.businesswire.com/news/home/20170314005389/en/KRE-Group-Grows-Profits-and-Occupancy-with-Yardi-RENTmaximizer).

³⁵ *Supra* note 13.

³⁶ *Supra* note 12.

³⁷ *Supra* note 11.

1 There’s been a long-standing thought process that if you have a 95 percent
2 occupancy or higher you’re doing well, and if you have less than 95 you’re not, .
3 . . . We would love to never again ask for that occupancy stat. . . . Sure, you can
4 use occupancy numbers to determine whether a property is a success or not—and
 there are a lot of things you can do to achieve that goal, such as really dumping
 your price to get to that 95 percent occupancy rate, . . . But then you’re not fixing
 the underlying issue[.]³⁸

5 He then noted that one of his company’s properties has never been occupied above 94 percent in the two
6 and a half years it owned that property but was nevertheless able to drive rent growth by more than 25
7 percent resulting from its use of RENTmaximizer.³⁹

8 51. To ensure the adoption of RENTmaximizer’s supra-competitive pricing outputs, Yardi
9 built its collusive algorithm to engender aggressive rental increases and pricing discipline among
10 Manager Defendants. RENTmaximizer has systemwide “lock downs” and strict permissions built-into
11 the algorithm that preclude on-site leasing agents from having any freedom to disregard the algorithm’s
12 pricing and supply outputs.

13 52. Manager Defendants incorporate other tools offered by Yardi, such as Yardi’s RentCafe
14 or RentCafe CRM, both of which are end-user, front facing systems that were and are integrated with
15 their RENTmaximizer system, to create a lease flow where site-level managers were further removed
16 from the leasing process. For example, prospective renters may visit a unit and tour the facility with an
17 on-site leasing agent but, to sign the lease, the leasing agent then directs the renter to an online portal,
18 typically RentCafe, to complete the application. That online portal displays “the pricing” and a matrix
19 regarding pricing option, based on move-in date and length of lease terms, that renters are forced to
20 select from, and the on-site leasing agent cannot modify. The process is virtually identical for renters
21 who view pictures online, or otherwise take a virtual tour, and sign their lease online through the
22 participating lessor’s website—all the pricing and leasing term options visible to “choose” flows from
23 the RENTmaximizer outputs. Simply stated, the entire multifamily residential unit leasing workflow is
24 designed and incorporated to remove on-site leasing agents from making any pricing and lease term
25 related decisions or otherwise alter RENTmaximizer’s pricing and supply outputs.

26 _____
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28 ³⁸ *Supra* note 18.

³⁹ *Id.*

1 53. For example, one Towne Property Yardi Manual explains, to set unit rental prices, the
2 property managers must enter a specific move-in time frame and lease term into RENTmaximizer, and
3 the system then auto-populates the “best price” for that selected unit.⁴⁰ The on-site leasing agent has no
4 control over these pricing outputs⁴¹ and cannot otherwise modify the RENTmaximizer pricing output
5 for Towne Properties.

6 54. Still, Yardi ensures and advances coordinated price setting among Manager Defendants
7 through dedicated “Revenue Managers.” Yardi assigns Revenue Managers to one or several competing
8 lessors in a given geographic area or city in California, depending on the size of the lessor, and tasks
9 them with integrating themselves into each of their assigned lessor’s price setting process. The Revenue
10 Managers have weekly calls with their assigned lessors to discuss whether they were being sufficiently
11 aggressive with their rental pricing. Terri Downen, senior vice president of sales at Yardi, stated,
12 “[p]roperty managers are guided to pricing that meets business goals, with the support of a dedicated
13 revenue manager included with our solution.”⁴²

14 55. Participating property managers have intimate involvement with Yardi’s Revenue
15 Managers in their business operations. Adam Goldfarb, vice president of Defendant Manco Abbott,
16 stated “[h]aving a dedicated revenue manager working with us from the Yardi RENTmaximizer team is
17 a huge benefit. If our staff or property owners question any of our rates, we have our Yardi
18 RENTmaximizer expert who can dig deeper to support our pricing—and that gives our organization and
19 clients great confidence.”⁴³ Another property management executive of California based DEELS
20 Properties, now known as Defendant Balaciano, explained that his favorite things about
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26 ⁴⁰ See *supra* note 27; *infra* ¶ 42.

27 ⁴¹ *Infra* ¶ 44. Demonstrating that “property pricing in controlled by [RENTmaximizer].”

28 ⁴² *Supra* note 12.

⁴³ *Manco Abbott Inc. Achieves Rental Growth, Gains Expert Pricing Insight with Yardi RENTmaximizer*, BUSINESS WIRE (Nov. 10, 2015, 8:30AM EST), <https://www.businesswire.com/news/home/20151110005039/en/>.

1 RENTmaximizer were the price transparency and “the extensive reporting and weekly phone call with
2 our dedicated RENTmaximizer expert[.]”⁴⁴

3 56. It is problematic enough that groups of competing lessors, including Manager
4 Defendants, in areas throughout California, are outsourcing their price-setting functions to the same
5 algorithm and with the same purpose of artificially inflating rental prices. But, more troubling, the
6 aforementioned weekly calls between the Yardi Revenue Managers and Manager Defendants provide
7 an opportunity for Yardi to directly advise Manager Defendants on rent adoption, raising rental prices,
8 and boosting industry profits. And each Yardi Revenue Manager also facilitates price coordination with
9 their assigned lessors, including Manager Defendants, by strictly monitoring any pricing exceptions
10 requested by Manager Defendants to ensure compliance with RENTmaximizer.

11 57. As explained above, site-level managers have no authority to modify or otherwise reduce
12 RENTmaximizer’s pricing outputs. Rather, Yardi requires participating lessors to establish a particular
13 permission structure with all overriding decisions placed in the hands of a high-level executive, director,
14 or manager within a participating lessor, including Manager Defendants, who is determined in
15 consultation with a Yardi representative. Furthermore, Yardi intentionally designed RENTmaximizer to
16 have roadblocks for a high-level individual attempting to approve of pricing overrides. For example,
17 whenever a pre-determined executive, director, or manager seeks to override RENTmaximizer’s pricing
18 output that individual must log who, when, and why the override was requested with each point having
19 its own information field that cannot not be bypassed unless and until completed. In other words, lessors
20 could not, and do not, approve an override.

21 58. Even so, RENTmaximizer tracks every requested override and generates an “exceptions
22 report.” If the “exceptions report” for a particular lessor shows repeated overrides, the dedicated
23 Revenue Manager will use the report in their weekly call to explain the resulting loss of economic
24 occupancy. In other words, the Yardi Revenue Managers use the “exceptions reports” as a “nanny cam”

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27 ⁴⁴ Noam Hameiri, *Pricing That Wins – Interview*, LINKEDIN (June 29, 2018),
28 [https://www.linkedin.com/pulse/pricing-wins-interview-noam-hameiri-
mba/?trackingId=ILHL%2B7yGsbKJrihBhOxZBg%3D%3D](https://www.linkedin.com/pulse/pricing-wins-interview-noam-hameiri-mba/?trackingId=ILHL%2B7yGsbKJrihBhOxZBg%3D%3D).

1 to hold lessors accountable to the pricing and supply outputs generated by RENTmaximizer. In this way,
2 the Revenue Managers work in tandem with the override controls imbedded into RENTmaximizer. Not
3 only do Manager Defendants pay premium prices to use RENTmaximizer’s algorithmic pricing output
4 to “beat the market,” but Yardi’s system and the Revenue Managers also actively monitored lessor
5 overrides with the ultimate result of ensuring pricing compliance.

6 59. Manager Defendants know and understand that they each are bound by substantively and
7 functionally the same lock downs and permission structures that thwart any attempted overriding by one
8 another. Manager Defendants also know and understand that Yardi’s team of “Revenue Managers”
9 monitor and enforce competitor compliance. Manager Defendants know and understand that
10 RENTmaximizer’s rental pricing outputs will be adopted by and among themselves and their
11 competitors. Thus, although possible, pricing overrides were and are exceedingly rare because Yardi
12 and Manager Defendants ensure that any competitor overriding is virtually non-existent.

13 60. RENTmaximizer, as alleged herein, has allowed Manager Defendants to maintain higher
14 prices in concert with confidence that they can avoid price competition. Indeed, participating lessors’
15 comments uniformly illustrate the potency and efficacy of RENTmaximizer and the Yardi Revenue
16 Managers in achieving their goals of increasing rental prices and “beating the market.”

17 **3. Defendants have inflated rental prices for California Multifamily**
18 **Residential Units above competitive levels.**

19 61. As admitted by industry participants, including Yardi itself, Yardi’s coordinated
20 algorithmic pricing system, RENTmaximizer in particular, has caused anticompetitive effects in the
21 form of higher rental prices and reduced output in California. Yardi advertises that Manager Defendants
22 and other property managers who participate in this cartel can “beat the market by a minimum of 2%”
23 and “gain[] on average more than 6% net rental income.”⁴⁵ That is, Defendants’ collusion succeeds in
24 increased rental prices above competitive levels. Or as Terri Downen, Senior Vice President of Sales has
25 put it: “[Yardi’s] clients using RENTmaximizer can focus on operations instead of the hassle of
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28 ⁴⁵ *Supra* note 6 at 26

1 determining daily rents . . . with the further benefit of increased rental income[.]”⁴⁶ And
2 “outperform[ing] the market”⁴⁷ was, and remains, the express purpose of Defendants’ cartel.

3 62. To conclude that these price increases would be economically irrational and against each
4 Manager Defendants’ independent economic self-interest if acting alone (that is, absent assurances that
5 other Manager Defendants’ would also be exercising pricing “discipline”), or that price increases would
6 be unobtainable absent the implementation of coordinated algorithmic pricing by Yardi, one need look
7 no further than the admissions of participating property managers who publicly extol the value of
8 cartelization (higher prices, lower output).

9 63. Participating property managers, including Manager Defendants, experience immediate
10 and rapid growth in rental prices and exceed market expectations, i.e., outperforming manual pricing,
11 through Yardi’s algorithmic pricing coordination via RENTmaximizer. The following testimonials
12 reflect the effectiveness of coordination through RENTmaximizer:

- 13 • “[i]n 2014 our RENTmaximizer properties showed 7.37% rent growth, beating
14 respective submarkets by 3.25%.”⁴⁸ A year later, in 2015, that same property
15 manager, with the use of RENTmaximizer, reported a 9.4 percent year-over-
16 year income growth for properties priced with RENTmaximizer.⁴⁹
- 17 • “With RENTmaximizer, we quickly increased our rental income and reduced
18 concessions. . . . Overall, we have achieved a nearly *four percent net increase*
19 in monthly revenue in just two months with RENTmaximer.”⁵⁰
- 20 • “. . . our site managers no longer have to manually figure out competitive rents
21 in their markets. After only 90 days using Yardi RENTmaximizer, we’ve seen
22 an effective rent growth of 5%.”⁵¹

23 ⁴⁶ *PRG Real Estate Sees Double-Digit Rent Growth with Yardi RENTmaximizer*, BUSINESS WIRE
(Dec. 14, 2017, 8:30AM EST), <https://www.businesswire.com/news/home/20171214005468/en/PRG-Real-Estate-Sees-Double-Digit-Rent-Growth-with-Yardi-RENTmaximizer>.

24 ⁴⁷ *CKR Property Management Grows Rental Revenue with Yardi RENTmaximizer*, BUSINESS WIRE
(OCT. 27, 2016), <https://www.businesswire.com/news/home/20161027005063/en/CKR-Property-Management-Grows-Rental-Revenue-with-Yardi-RENTmaximizer>.

25 ⁴⁸ *Supra* note 14.

26 ⁴⁹ *Supra* note 15.

27 ⁵⁰ *Supra* note 30 (emphasis supplied).

28 ⁵¹ *Hankin Group Selects Yardi RENTmaximizer to Realize Revenue Growth with More Competitive Pricing*, BUSINESS WIRE (June 25, 2015, 6:45 EDT), <https://www.businesswire.com/news/home/20150625005192/en/Hankin-Group-Selects-Yardi-RENTmaximizer-to-Realize-Revenue-Growth-with-More-Competitive-Pricing>.

- 1 • “We’ve been using Yardi RENTmaximizer for five months and we’re already
2 experiencing amazing results compared to the properties in our portfolio not
3 yet using the system—our revenue is consistently higher for Yardi
4 RENTmaximizer properties. After the first month, the Yardi RENTmaximizer
5 properties were performing at 7% higher, and by the fifth month, they reached
6 rental growth of 18.5%.”⁵²
- 7 • “[w]ith RENTmaximizer our pricing is based on lease expirations so we avoid
8 too many in one month. . . . [And] [Dalton Management] [was] able to raise
9 rents at a property we thought was keeping up—now we’re getting \$100 more
10 per unit.”⁵³
- 11 • “RENTmaximizer has enabled [PRG] to exceed the market and increase
12 [PRG’s] net rental income without losing occupancy[,]” stated that “[s]ince
13 adopting RENTmaximizer in 2016, our rental income has increased an
14 impressive 19 percent.”⁵⁴
- 15 • “Yardi RENTmaximizer keeps [her] from watching [CKR’s] pricing
16 obsessively every day. Overall, our rental revenue is up 8% year over year.
17 And one property that previously struggled is up 28%[.]”⁵⁵
- 18 • “Yardi RENTmaximizer has allowed us to push rents more aggressively and
19 takes more human error out of the process.”⁵⁶ RENTmaximizer allowed the
20 company to “push[] rents 5–6% since implementation” and the company
21 “simply wouldn’t have raised rents that much or that quickly on [its] own.”⁵⁷

22 64. RENTmaximizer has contributed to and resulted in dramatic increases in multifamily
23 rental rates throughout California. For example, first quarter 2021 through first quarter 2022, California
24 experienced rent increases of 10 to 19.9 percent.⁵⁸

25 ⁵² *Singh Management Gains Revenue and Occupancy Growth with Yardi RENTmaximizer*, BUSINESS
26 WIRE (Feb. 23, 2016, 8:00AM EST),
27 [https://www.businesswire.com/news/home/20160223005007/en/Singh-Management-Gains-Revenue-
28 and-Occupancy-Growth-with-Yardi-RENTmaximizer](https://www.businesswire.com/news/home/20160223005007/en/Singh-Management-Gains-Revenue-and-Occupancy-Growth-with-Yardi-RENTmaximizer).

⁵³ *Supra* note 16.

⁵⁴ *Supra* note 46.

⁵⁵ *Supra* note 47.

⁵⁶ *Supra* note 13.

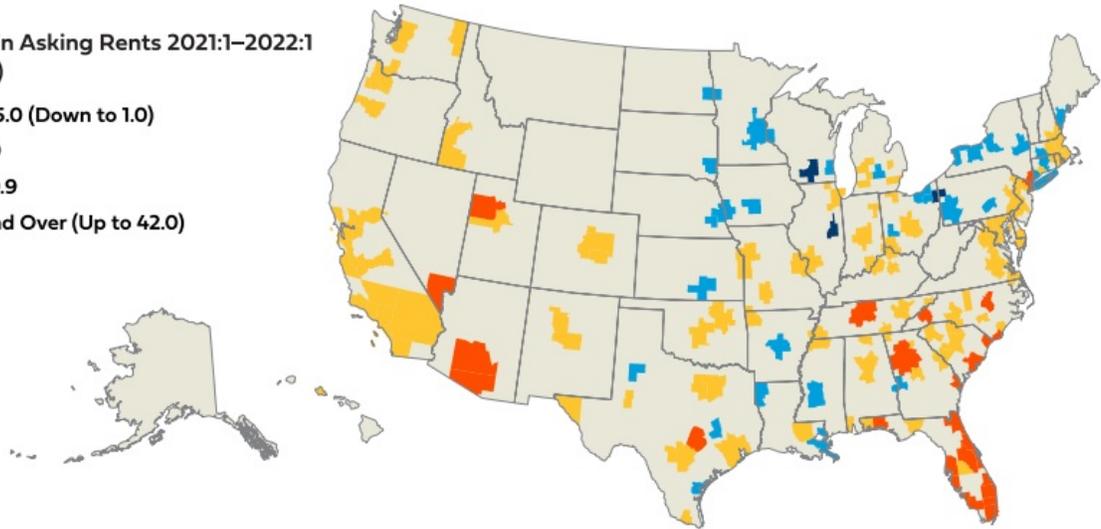
⁵⁷ *Id.*

⁵⁸ JCHS *supra* note 1 at 31.

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2
3 **Rents in Most Major Markets Were Up by Double Digits in Early 2022**

4 **Change in Asking Rents 2021:1–2022:1**
5 **(Percent)**

- 6 ■ Under 5.0 (Down to 1.0)
7 ■ 5.0–9.9
8 ■ 10.0–19.9
9 ■ 20.0 and Over (Up to 42.0)



14 **Note:** Asking rents are for professionally managed apartments in buildings with five or more units in the 150 markets that RealPage tracks.

15 **Source:** JCHS tabulations of RealPage data.

16 Indeed, the dramatic increases in California rental prices have not slowed. Since the COVID-19
17 Pandemic, the rental California rental prices have increased by 20 percent or more.⁵⁹ The rental increases
18 experienced throughout California since 2020 is consistent with Yardi’s marketing of
19 RENTmaximizer—“beat[ing] the market *by a minimum* of 2%” and “gaining on average more than 6%
20 net rental income.”⁶⁰ And these increases in rental price and market outperformance would not otherwise
21 be attainable to Manager Defendants through the utilization of independent or purely unilateral pricing,
22 in the absence of coordinated pricing through Yardi’s RENTmaximizer. As HNN Associates President
23 and owner Philip Nored put it: “RENTmaximizer has taken the guesswork out of our rental pricing and
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27 ⁵⁹ Vazquez *Supra* note 1.

28 ⁶⁰ *Supra* note 6 at 26 (emphasis supplied).

1 lease terms, and boosts pricing performance through an intelligent system of measurements, fixed
2 factors and discipline.”⁶¹

3 65. A growing body of economic research supports the conclusion that the widespread rental
4 increases experienced throughout the state are unlikely to be attained with algorithmic pricing *unless*
5 *there is industry-wide adoption*. One 2021 empirical study found that when competing gas stations in
6 Germany jointly used algorithmic pricing setting tools, their margins increased by approximately 9
7 percent. Critically, the algorithm only increased prices above competitive levels when competitors
8 adopted the algorithmically generated prices *with competitors*.⁶²

9 **D. “Plus Factors” Render the Market for California Multifamily Residential Leases**
10 **Susceptible to the Formation, Maintenance, and Efficacy of a Cartel.**

11 66. The multifamily real estate rental market has numerous “plus” factors that cause the
12 industry to be vulnerable to collusion and creates an environment that is not hospitable to independent
13 action. The “plus factors” include (1) high barriers to entry into the market; (2) high barriers to exit; (3)
14 inelastic consumer demand; (4) market concentration; (5) the dissemination of competitively sensitive
15 information; (6) the availability for the opportunity to collude at trade associations; and (7) actions that
16 are against economic self-interest.

17 67. A collusive arrangement that raises product prices above competitive levels would, under
18 basic economic principles, attract new entrants seeking to benefit from the supra-competitive pricing.
19 Where, however, there are significant barriers to entry, new entrants are less likely to enter the market.
20 Thus, entry barriers help facilitate the formation and maintenance of a cartel. Multifamily residential
21 real estate property owners and operators face significant entry barriers, such as high maintenance costs,
22 regulatory compliance, high acquisition costs, labor costs, high construction costs, and high cost of
23

24
25 ⁶¹ *Supra* note 11 (emphasis supplied).

26 ⁶² Stephanie Assad, *et al.*, *Algorithmic Pricing and Competition: Empirical Evidence from the German*
27 *Retail Gasoline Market*, CESifo Working Paper No. 8521, at 4–5 (Aug. 2020), available at:
28 <https://deliverypdf.ssrn.com/delivery.php?ID=979021004069089081084097081031093107069092046084012032073034048096015107103078096005075000023020079050064065104093100092012064123071088087111065080000095030075027119017067112071027&EXT=pdf&INDEX=TRUE>.

1 acquiring property and establishing a property management infrastructure. Even small multifamily
2 rental properties cost millions of dollars to acquire. Large properties run into the hundreds of millions
3 of dollars to own and manage. They take several years and significant experience to build or acquire.
4 Thus, new entrants into the residential real estate leasing market are unlikely to ameliorate cartel pricing.

5 68. It is nearly impossible for renters to discipline cartel pricing due to high exit barriers in
6 this market. Renters incur substantial cost and inconvenience when moving and, where price escalation
7 is occurring in broad geographic areas, they might not have a lower priced option in reasonable
8 proximity to where they currently live or work.

9 69. “Elasticity” is a term used to describe the sensitivity of supply and demand to changes in
10 one or the other. For a cartel to profit from raising prices above competitive levels, demand must be
11 relatively inelastic at competitive prices. Otherwise, increased prices would result in declining sales,
12 revenues, and profits, as customers purchased substitute products or declined to buy altogether. Inelastic
13 demand is a market characteristic that facilitates collusion, allowing producers to raise their prices
14 without triggering customer substitution and lost sales revenue.

15 70. The demand for multifamily residential property leases is inelastic. First, in most cases,
16 renters choose their place to live based on proximity to community and lifestyle activities, workplace,
17 or school and decide to live in those locations despite price increases. Second, the only realistic
18 alternative to renting is buying, which is seldom an option for renters who do not usually have the liquid
19 capital to do so on short notice. Finally, multifamily residential unit rental properties are susceptible to
20 standardization and are fungible. This is especially true here when the competitively sensitive
21 information Manager Defendants share with Yardi that is incorporated into RENTmaximizer is specific
22 to unit type, size, location, and lease length, the fact that multifamily property generally has various
23 characteristics does not impede on the ability of Manager Defendants to coordinate rents through
24 RENTmaximizer. Thus, there are no reasonable substitutes to discipline cartel pricing.

25 71. A highly concentrated market is more susceptible to collusion and other anticompetitive
26 practices. Yardi dominates the property management software market, and Yardi participating
27 Landlords dominant the multifamily residential properties market in areas throughout the State of
28 California. Taken together, the landlords hold a staggering market share of multifamily residential

1 property leases in this country. The market for residential real estate property leases is highly
2 concentrated, with landlords and other smaller participants ferociously acquiring any emerging players
3 in the market. Most major metropolitan areas in the state are dominated by relatively few property
4 managers, with many large corporations like Legacy Partners, LeFever Mattson, and FPI Management
5 having substantial presences in metropolitan areas throughout California.

6 72. Manager Defendants agree to share competitively sensitive information with Yardi. It all
7 begins with the “give to get” deal. The property managers all agreed to submit their confidential business
8 information to Yardi RENTmaximizer with the knowledge that the system would use that data to
9 calculate rents for their competitors. This agreement of mutual sharing and receiving competitors’
10 information benefits the property managers and owners only if their competitors do not use the
11 information to gain a competitive advantage, *i.e.*, offer reduced rents to renters.

12 73. Property Managers and Yardi have numerous opportunities to collude at the Yardi
13 Advanced Solutions Conferences (YASC) and social events. YASC is a large-scale, well-attended social
14 event exclusive to Yardi and its clients.⁶³ It has been alleged that YASC is attended by about 2,000
15 people each time, who pay approximately \$1,195.00 to participate.” The convention includes “exclusive
16 entertainment and fun social events.” The agenda includes a two-hour lunch, a “Networking Reception,”
17 and a four hour “Yardi Party.” During the 2023 YASC, Yardi “classes” include “Revenue IQ:
18 Overview” which is intended for “current Revenue IQ clients *and others interested in growing their*
19 *revenue*” and another titled “Revenue IQ: Introduction” which is intended for “[c]lients interested *in an*
20 *initial introduction* to Yardi’s revenue management offering[.]”⁶⁴ In other words, Yardi uses YASC to
21 introduce and sell Revenue IQ to attendants. Since it first developed RENTmaximizer, Yardi has
22 presented sessions and classes at prior YASC’s in the past to introduce and sell RENTmaximizer to
23 attendants. For example, on November 8, 2017, ALCO Management, a user of RENTmaximizer,
24 recounted a panel at the 2017 YASC:

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27 ⁶³ YASC, YARDI.COM, <https://www.yardi.com/yasc/north-america/> (last accessed Sept. 18, 2023).

28 ⁶⁴ *Class Descriptions*, YASC 2023, 21, <https://resources.yardi.com/documents/yasc-class-descriptions/>
(emphasis supplied) (last accessed Jan. 30, 2024).

1 On the panel were Dana Patterson, director of asset management at ALCO
2 Management, Maria Braun, ERP business analyst at Bigos Management and Lisa
3 Friedman, database coordinator at HCA Management Services. Aaron Wells, the
4 Yardi client services team leader for BI, moderated.

5 ***

6 Patterson explained that ALCO also used Yardi RENTmaximizer for revenue
7 management, Yardi Payment Processing for electronic transactions
8 and RENTCafé for marketing, leasing and online resident services. The addition
9 of Orion to its Voyager platform combines all of that operational and ancillary
10 services data to deliver powerful analytics across its portfolio.⁶⁵

11 74. Defendants’ pricing strategy—dramatically increasing rents notwithstanding market
12 conditions—is irrational and against self-interest in a competitive market. In the absence of changes in
13 demand, no rational property managers would act alone to raise rents as they did here during the class
14 period, because any empty units exceeding the competitive market price would soon be filled by
15 competitors who offer renters at lower prices.

16 V. ALLEGATIONS SUPPORTING PUBLIC INJUNCTIVE RELIEF

17 75. The UCL prohibits unfair competition, in relevant part, in the form of “any unlawful,
18 unfair or fraudulent business act or practice.” Cal. Bus. & Prof. Code § 17200. It also allows “a person
19 who has suffered injury in fact and has lost money or property” to prosecute a civil action for a violation
20 of the statute. *Id.* § 17204. Such a person may bring an action to protect the general public of California
21 against future harm resulting from the unlawful business practice or act. *Id.* § 17203.

22 76. As alleged herein, Defendants have engaged in unfair business practices in violation of
23 the UCL.

24 77. **Unlawful Conduct:** The UCL’s “unlawful” prong borrows violations from other
25 statutes. As alleged herein, in violation of the Cartwright Act and, in turn, in violation of the UCL,
26 Defendants unlawfully engaged in price fixing in the relevant market by entering into a continuing
27 agreement, understanding, and conspiracy in restraint of trade to artificially fix, raise, or stabilize the
28 rental prices for multifamily residential property leases, thereby creating anticompetitive effects.

⁶⁵ *The Benefits of BI*, ALCO MANAGEMENT (Nov. 8, 2017),
<https://www.alcomgt.com/blog/2017/11/08/the-benefits-of-bi/>.

1 78. **Unfair Conduct:** As alleged herein, Defendants’ conduct also violates the “unfair” prong
2 of the UCL. Defendants’ conduct threatens an incipient violation of an antitrust law and violates the
3 policy or spirit of the Cartwright Act because its effects are comparable to or the same as a violation of
4 the Cartwright Act, otherwise has significantly threatened or harmed competition in the relevant market
5 in this state or is conduct that is unfair and tends to negatively affect competitive conditions.

6 79. Yardi’s RENTmaximizer, now named Revenue IQ,⁶⁶ continues to grow and generate
7 new client property managers in California. In 2013, for example, Dharmendra Sawh (then Yardi’s
8 “principal for revenue management”) stated that RENTmaximizer was used to price 8 million residential
9 units around the world.⁶⁷ By 2021, Richard Malpica, a vice president at Yardi, indicated that Yardi’s
10 customers represented roughly 50 percent of the U.S. multifamily market and that Yardi now had data
11 on 12 million residential units in the United States.⁶⁸ Furthermore, as explained above, the
12 anticompetitive effects of RENTmaximizer, now Revenue IQ, throughout the state show no signs of
13 slowing. Indeed, as shown above, recent studies have demonstrated that the dramatic rent increases in
14 California’s coastal *and* inland cities will continue further exacerbating the state’s homelessness crisis.
15 Finally, Defendants’ ongoing collusion not to compete on residential unit rental prices threatens to
16 increase, and has increased, rents for non-participating California property managers as those property
17 managers look to Manager Defendants to benchmark their own rental pricing, which is then, in turn, set
18 at comparatively inflated prices. No renter in California is safe from the anticompetitive effects wrought
19 by Defendants’ cartel.

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25 ⁶⁶ *Supra* note 5.

26 ⁶⁷ Patrick Nelson, *Algorithms for Rent: The Price is Right*, TECH NEWS WORLD (Mar. 12 2013,
27 5:00AM PT), <https://www.technewsworld.com/story/algorithms-for-rent-the-price-is-right-77498.html>.

28 ⁶⁸ Stuart Watson, *Yardi Systems Explains how to Create Efficiency in US Multifamily*, PERE (May 3,
2021), <https://www.perenews.com/yardi-systems-explains-how-to-create-efficiency-in-us-multifamily/>.

1 80. Plaintiffs have standing to seek public injunctive relief under the UCL because, as a direct
2 result of acts described herein, they were charged more for their leases than they would have been but
3 for Defendants’ anticompetitive conduct.

4 81. Apart from relief for the Class, Plaintiffs separately seek public declaratory and
5 injunctive relief pursuant to Cal. Bus. & Prof. Code § 17203 to stop the ongoing and continuing
6 violations of the UCL. Plaintiffs’ claim for public injunctive relief is not brought on behalf of the Class
7 or for themselves for past unlawful conduct but rather is prospective public injunctive relief to protect
8 members of the general public from future injury. Defendants’ continued conspiracy to unlawfully
9 increase multifamily residential rental prices above competitive levels, as alleged herein, places
10 members of the general public of California who have not yet transacted with Manager Defendants but
11 are likely to in the future, at risk of new and future harms, injuries, financial losses from Manager
12 Defendants’ ongoing and continuing anticompetitive, unlawful, and unfair conduct unless enjoined.

13 82. Claims for public injunctive relief pursuant to Cal. Bus. & Prof. Code § 17203 are
14 individual claims, not class or representative claims. *McGill v. Citibank, N.A.*, 2 Cal. 5th 945, 959 (2017)
15 (holding that because individuals seeking public injunctive relief under the Unfair Competition Law do
16 so “on [their] own behalf.”). Accordingly, claims for public injunctive relief are not required to be
17 certified as class actions and the below class elements are not required to be satisfied for such relief.
18 Because Plaintiffs have standing under the UCL, in that they lost money as a result of Defendants’
19 anticompetitive, unlawful, and unfair conduct, Plaintiffs can seek public injunctive relief to correct all
20 related violations of the UCL and Cartwright Act.

21 83. The general public of California is in need of protection from Defendants’ ongoing and
22 continuing violations of the Cartwright Act and the UCL. Such public injunctive relief will thus create
23 a public benefit. Plaintiffs thus bring this action for public declaratory and injunctive relief as a private
24 attorney general and to vindicate and enforce important rights affecting the public interest. Plaintiffs are
25 therefore entitled to an award of attorneys’ fees and costs under Cal. Code Civ. P. § 1021.5 for bringing
26 this action for public declaratory and injunctive relief.

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1 **VI. CLASS ALLEGATIONS**

2 84. Plaintiffs bring this action on behalf of themselves, and all others similarly situated under
3 California Code of Civil Procedure § 382 as representatives of the Class, which is defined as follows:

4 All persons or entities who are current citizens in California who paid rent on at
5 least one multifamily residential real estate lease located in California directly
6 from a Defendant or conspirator, or from a division, subsidiary, predecessor,
7 agent or affiliate of such Defendant or conspirator, that used Yardi's
8 RENTmaximizer or Revenue IQ software programs from February 8, 2020 until
9 the anticompetitive effects of Defendants' unlawful conduct ceased.

10 85. For the avoidance of doubt, the above class definition only includes current citizens of
11 California. To the extent a particular person or entity moves out of California, they are no longer class
12 members.

13 86. This action has been brought and may be properly maintained as a class action because
14 there is a well-defined community of interest in the litigation and the proposed class is easily
15 ascertainable.

16 87. Plaintiffs reserve the right to amend or modify the Class or divide the class into
17 subclasses.

18 88. Excluded from the Class are the Manager Defendants, their parent companies,
19 subsidiaries and affiliates, any co-conspirators, federal governmental entities and instrumentalities of
20 the federal government, states and their subdivisions, agencies, and instrumentalities. Plaintiffs reserve
21 the right to amend the aforementioned definitions if discovery and further investigation reveal that they
22 should be expanded or otherwise modified.

23 89. There are thousands of members of the Class. The Class is so numerous that joinder
24 would be impracticable.

25 90. Plaintiffs' claims are typical of those of the Class.

26 91. Plaintiffs and members of the Class were all injured by the same unlawful conduct which
27 resulted in all of them paying more for leases than they otherwise would have in a competitive market.

28 92. Plaintiffs will fairly and adequately protect and represent the interests of the Class. The
interests of the Plaintiffs are not antagonistic to the Class.

93. Questions of law and fact common to the Class include:

- 1 a. Whether Defendants have entered into a formal or informal contract, combination,
2 conspiracy, or common understanding to artificially inflate the rental price and/or
3 artificially suppress the supply of multifamily residential property leases in California
4 from competitive levels;
- 5 b. Whether Defendants have engaged in unfair business practices through the
6 conspiracy and conduct alleged herein;
- 7 c. If Defendants have entered into a formal or informal contract, combination,
8 conspiracy, or common understanding, whether that conduct violates the Cartwright
9 Act;
- 10 d. If Defendants have entered into such a formal or informal contract, combination,
11 conspiracy, or common understanding, whether that conduct has in fact artificially
12 inflated price and/or artificially suppressed supply of multifamily residential property
13 leases in California from competitive levels;
- 14 e. The appropriate injunctive and related equitable relief for the Class; and
15 f. The proper measure of damages.

16 94. Plaintiffs and members of the Class are represented by counsel who are experienced and
17 competent in the prosecution of complex antitrust and unfair competition class actions.

18 95. Class action treatment is the superior method for the fair and efficient adjudication of the
19 controversy in that, among other things, such treatment will permit a large number of similarly situated
20 persons or entities to prosecute their common claims in a single forum simultaneously, efficiently, and
21 without the unnecessary duplication of effort and expense that numerous individual actions would
22 engender. The benefits of proceeding through the class mechanism, including providing injured persons
23 or entities with a method of obtaining redress for claims that might not be practicable for them to pursue
24 individually, substantially outweigh any difficulties that may arise in the management of this class
25 action.

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1 **VII. CAUSES OF ACTION**

2 **FIRST CAUSE OF ACTION**

3 **Horizontal Price Fixing Against All Defendants**

4 **Violation of the Cartwright Act (Cal. Bus. & Prof. Code §§ 16700, et sq.)**

5 96. Plaintiffs incorporate by reference the allegations in the preceding paragraphs.

6 97. Defendants have entered into an unlawful horizontal agreement in restraint of trade in
7 violation of the California Business and Professions Code, §§ 16700, *et seq.* Defendants' unlawful
8 horizontal agreement is a *per se* violation of the Cartwright Act.

9 98. During the Class Period, Manager Defendants entered into and engaged in a continuing
10 unlawful trust in restraint of the trade and commerce described above in violation of the Cartwright Act.
11 Cal. Bus. & Prof. Code § 16720. Defendants have acted in violation of Section 16720 to fix, raise,
12 stabilize, and maintain prices of multifamily residential property leases at supra-competitive levels.

13 99. The aforesaid violations of Section 16720, consisted, without limitation, of a continuing
14 unlawful trust and concert of action among Defendants, the substantial terms of which were to fix, raise,
15 maintain, and stabilize the prices of multifamily residential property leases.

16 100. For the purpose of forming and effectuating the unlawful trust, Defendants and their co-
17 conspirators have done those things which they combined and conspired to do, including but not limited
18 to the acts, practices and course of conduct set forth above and the following: (1) fixing, raising,
19 stabilizing, and pegging the price of multifamily residential property leases; and (2) letting certain
20 multifamily residential property units sit empty instead of leasing them at competitive prices.

21 101. The combination and conspiracy alleged herein has had, *inter alia*, the following effects:
22 (1) price competition in the lease of multifamily residential property has been restrained, suppressed, or
23 eliminated in California; (2) prices for multifamily residential property leases managed by Defendants
24 and their co-conspirators have been fixed, raised, stabilized, and pegged at artificially high, non-
25 competitive levels in California and throughout the United States; and (3) those who leased multifamily
26 residential property units from Defendants and their co-conspirators have been deprived of the benefit
27 of free and open competition.

1 to the acts, practices and course of conduct set forth above and the following: (1) fixing, raising,
2 stabilizing, and pegging the price of multifamily residential property leases; and (2) letting certain
3 multifamily residential property units sit empty instead of leasing them at competitive prices.

4 110. The combination and conspiracy alleged herein has had, *inter alia*, the following effects:
5 (1) price competition in the lease of multifamily residential property has been restrained, suppressed, or
6 eliminated in California; (2) prices for multifamily residential property leases managed sold by
7 Defendants and their co-conspirators have been fixed, raised, stabilized, and pegged at artificially high,
8 non-competitive levels in California and throughout the United States; and (3) those who leased
9 multifamily residential property units from Defendants and their co-conspirators have been deprived of
10 the benefit of free and open competition.

11 111. As a direct and proximate result of Defendants' unlawful conduct, Plaintiffs and
12 members of the Class have been injured in their business and property in that they paid more for
13 multifamily residential property leases than they otherwise would have paid in the absence of
14 Defendants' unlawful conduct. As a result of Defendants' violation of Section 16720 of the Cartwright
15 Act, Plaintiffs and members of the Class seek treble damages and their cost of suit, including a
16 reasonable attorney's fee, pursuant to Cal. Bus. & Prof. Code § 16750(a).

17 112. Defendants' unlawful cartel is a *per se* violation of the Cartwright Act. In the alternative,
18 Defendants' cartel is unlawful under the quick look rule or by rule of reason.

19 **THIRD CAUSE OF ACTION**

20 **Against All Defendants**

21 **Violation of the California Unfair Competition Law (Cal. Bus. & Prof. Code §§ 17200, *et seq.*)**

22 **Unlawful and Unfair Prongs**

23 113. Plaintiffs incorporate by reference each preceding paragraph as if fully stated herein.

24 114. The Unfair Competition Law ("UCL") prohibits unfair competition in the form of "any
25 unlawful, unfair, or fraudulent business act or practice and unfair, deceptive, untrue or misleading
26 advertising and any act." Cal. Bus. & Prof. Code § 17200. The UCL allows "a person who has suffered
27 injury in fact and has lost money or property" to prosecute a civil action for violation of the UCL. *Id.* §
28 17204.

1 115. **Unlawful Conduct:** Defendants’ acts and conduct alleged herein are “unlawful” within
2 the meaning of the UCL because they violate the Cartwright Act, California Business and Professions
3 Code, §§ 16700, *et seq.*

4 116. As alleged more fully herein, Defendants wrongfully acquired and unlawfully engaged
5 in price fixing in the relevant market through the conduct alleged herein, including Defendants and their
6 co-conspirators entering into a continuing agreement, understanding and conspiracy in restraint of trade
7 to artificially fix, raise, or stabilize the rental prices for multifamily residential property leases, thereby
8 creating anticompetitive effects.

9 117. **Unfair Conduct:** Defendants’ acts and conduct alleged herein are “unfair” within the
10 meaning of the UCL because they threaten an incipient violation of the Cartwright Act, violate the policy
11 or spirit of one of those laws because the effects of their conduct are comparable or the same as a
12 violation of the Cartwright Act, significantly threaten or harm competition in California, or are unfair
13 and tend to negatively affect competitive conditions.

14 118. As alleged more fully herein, Manager Defendants agreed to share real-time
15 competitively sensitive information with Yardi in order to outsource their rental pricing decisions to
16 RENTmaximizer and eliminate the traditional methods of price competition in the multifamily
17 residential market for the express purpose of beating the market and increasing industry wide profits.
18 Defendants’ conduct is coercive, exploitative, collusive, predatory, or otherwise an abuse of their
19 economic power in the state and negatively affects competitive conditions through the elimination of
20 methods of competition in a competitive market, *e.g.*, elimination of concessions, and increasing of
21 rental prices offered by non-participating California property managers who look to the inflated rental
22 prices offered by Manager Defendants for their own benchmarking.

23 119. Defendants’ practices offend state and federal public policy of engaging in conduct that
24 goes beyond competition on the merits; are immoral, unethical, oppressive, outrageous, unscrupulous,
25 and substantially injurious; and caused substantial harm, including in the form of artificially inflated
26 prices, that greatly outweigh any possible utility from the practices.

27 120. Defendants’ conduct actually and proximately caused Plaintiffs and Class members to
28 lose money or property.

1 121. Pursuant to Cal. Bus. & Prof. Code § 17203, Plaintiffs and Class members seek from
2 Defendants restitution and disgorgement of all earnings, profits, compensation, benefits, and other ill-
3 gotten gains obtained by Defendants for their violations of the UCL.

4 122. Plaintiffs and the Class remain at risk of future harm and injury unless the challenged
5 practices, described above, are modified and enjoined. Pursuant to Cal. Bus. & Prof. Code § 17203, on
6 behalf of the Class, Plaintiffs seek an injunction prohibiting Defendant from continuing its unlawful
7 practices.

8 123. Plaintiffs, on behalf of the general public of the State of California and pursuant to *id.* §
9 17203 and *McGill v. Citibank, N.A.*, 393 P.3d 85 (Cal. 2017), seek a court order for public declaratory
10 and injunctive relief to enjoin Defendants from such future misconduct, and any other such order that
11 may be necessary to prevent future harm and financial injury to members of the general public who have
12 not yet transacted with Defendant but are likely to in the future. As set forth above, the general public
13 is in need of protection from Defendants' ongoing and continuing violations of the UCL. Such relief
14 will create a public benefit. Plaintiffs thus bring this action for public declaratory and public injunctive
15 relief as a private attorney general and to vindicate and enforce important rights affecting the public
16 interest. Plaintiffs are therefore entitled to an award of attorneys' fees and costs under Cal. Code of Civ.
17 P. § 1021.5 for bringing this action for public declaratory and injunctive relief.

18 **VIII. PRAYER FOR RELIEF**

19 WHEREFORE, Plaintiffs, individually and on behalf of all others similarly situated, request
20 relief as follows on all counts:

21 1. The Court determine that this action may be maintained as a class action under California
22 Code of Civil Procedure § 382 and direct that reasonable notice of this action be given to each and every
23 member of the Class;

24 2. That the unlawful conduct alleged herein be adjudged and decreed;

25 a. An unreasonable restraint of trade or commerce in violation of the
26 Cartwright Act; and

27 b. A violation of the Unfair Competition Law.
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2 Date: February 8, 2024

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