



Startup Rentlogic released an internet browser extension last week that drapes a letter-grading system over mortgage websites that list New York City rentals, allowing potential renters to easily find a list of apartment building complaints. (Bloomberg file photo)

Manhattan landlords are about to get graded

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The for-rent advertisement on East 75th Street in Manhattan, just a half-block from Central Park, boasts bright light, a marble bathroom, and a granite kitchen. It sounds lovely, a gem of the Upper East Side—perhaps “triple mint,” as some real estate ads breathlessly proclaim.

It better be, given that the price for the apartment is \$4,095 a month.

What the listing doesn't mention is that the building has a long history of tenant complaints and city-code violations. Issues over the years have included mold, cockroaches, and fire safety. That information is in public databases, but it can be difficult to dig up for the uninitiated.

This is where startup Rentlogic is hoping to come in. Last week, the four-year-old company released a browser extension that drapes a letter-grading system over more than 200 real estate websites that list New York City rentals. So now you won't just see the perfectly angled photo of some 325-square-foot shoebox apartment with upbeat modifiers (sun-drenched, airy, spacious). You'll get all the dirt, too.

“Buildings have problems,” said Yale Fox, chief executive of Rentlogic, explaining that buildings can be graded by a system despite occasional issues. “It's when they're repeat offenders or there are signs of negligence that.” (The Upper East Side building received an “F” even though most of its violations have been resolved.)

The software takes two clicks to install. After that, a user who views an apartment on a listing aggregator's website sees the building's grade in a pop-up window. On following a link to Rentlogic's website, the user will also see a list of violations, complaints, and other less-than-attractive characteristics.

As anyone who has looked for an apartment can tell you, landlords routinely use a tenant's credit history and other data to decide whom to rent to. Now the shoe is on the other foot.

“Every industry has bad apples,” Fox said. “This is about exposing them in hopes that they adjust their behavior.”

This new tool has been a long time coming. Fox launched the company in 2013 with an early iteration of a letter-grading system, and has spent the intervening years adding new data and tweaking his algorithm. It

complicated process, since grades rely on hundreds of subjective interpretations. One example: Getting a grade takes little more than a willingness to spend money, so buildings with unresolved mold complaints get a grade by the system. On the other hand, even conscientious property managers can struggle to eradicate mold.

But devising a hierarchy was child's play compared with getting landlords to adopt it. At first, Fox was at odds with the established powers in New York's real estate firmament. He tried getting brokers to send him a letter to publish on Rentlogic's website, but most were willing only to send him their best. (While plenty of brokers were eager to claim "A" grades, very few were willing to own an "F.")

Previously, Rentlogic used public data to help renters evaluate landlords in Toronto. In New York, he approached brokerage Citi Habitats last September to publish his letter grades, giving Fox what he hoped would be a beachhead—once other brokers saw how much renters liked the letter grades, the whole industry would adopt them.

Instead, property managers quickly quashed the effort. So many of them complained to Citi Habitats that the brokerage reportedly pulled the letter grades a week after launching. Citi Habitats didn't return requests for comment.

That led Fox to start working on a system that lets renters view his company's grades, whether or not they have a lease. A Yelp!, or perhaps a Zagat for real estate, was born.

That's bound to be controversial. Fox's underlying data comes from government reports, but the algorithms he uses are subject to scorn by the industry. One complaint is that he goes back seven years, so the system can include violations incurred by previous owners. Another is that it uses data on tenant complaints regardless of whether the landlord responded quickly or whether the complaint was verified by a city official.

Fox said the algorithm doesn't consider unverified complaints and, in general, is designed to give landlords the benefit of the doubt. He said he plans to introduce functions to help landlords improve building grades.

The next challenge will be to find a business model that allows Rentlogic to wring a profit out of its system. One step, Fox said, is building an audience of apartment-hunters who depend on the service. Then he plans to offer landlords tools to help them market apartments — while persuading renters that he can manage the risks inherent in selling landlords services with one hand while checking their bad behavior with the other.

Publishing building violations and tenant complaints might overstate the problems with some buildings and save apartment-hunters from a bad deal.

The apartment near Central Park is managed by 9300 Realty. That name might not mean much to most apartment hunters, but close followers of New York real estate will associate it with landlord Steve Croman, who has been sued by New York State Attorney General Eric Schneiderman for allegedly harassing rent-controlled tenants to force them out of their apartments. Croman, who pleaded guilty in June to fraudulently representing tenants, didn't respond to requests for comment emailed to 9300 Realty.