

- 7) Authorizes the Real Estate Commissioner to investigate the actions of any person engaged in the business or acting in the capacity of a real estate licensee and suspend or revoke a license at any time for specified acts that include:
 - a) Making any substantial misrepresentation.
 - b) Making any false promises of a character likely to influence, persuade, or induce.
 - c) Continued and flagrant course of misrepresentation or making of false promises through licensees.
 - d) Any other conduct, whether of the same or of a different character than specified in this section, which constitutes fraud or dishonest dealing.
 - e) Violating any section, division, or article of law which provides that a violation of that section, division, or article of law by a licensed person is a violation of that person's licensing law, if it occurs within the scope of that person's duties as a licensee.

(BPC § 10176(a), (b), (c), (i), and (m))

- 8) Defines "digitally altered image" as an image, created by or at the direction of the real estate broker or salesperson, or person acting on their behalf, that has been altered through the use of photo editing software or artificial intelligence to add, remove, or change elements in the image, including, but not limited to, fixtures, furniture, appliances, flooring, walls, paint color, hardscape, landscape, facade, floor plans, and elements outside of, or visible from, the property, including, but not limited to, streetlights, utility poles, views through windows, and neighboring properties. (BPC § 10140.8(b)(1))
- 9) Exempts from the definition of "digitally altered image" an image where specified common photo editing adjustments are made that do not change the representation of the real property. (BPC § 10140.8(b)(2))
- 10) Defines "capture device" as a device that can record photographs, audio, or video content, including, but not limited to, video and still photography cameras, mobile phones with built-in cameras or microphones, and voice recorders. (BPC § 22757.1)

This bill:

- 1) Specifies that a violation of Civil Code § 1940.11, which is added by this bill, is cause for discipline against a licensee of the DRE.
- 2) Defines in the Civil Code a "digitally altered image" as an image created by or at the direction of a person that has been altered through the use of photo editing software or artificial intelligence to add, remove, or change elements in the image, including, but not limited to, fixtures, furniture, appliances, flooring, walls, paint color, hardscape, landscape, facade, floor plans, and elements outside of, or visible from, the property, including, but not limited to, streetlights, utility poles, views through windows, and neighboring properties, with exemptions for common photo editing adjustments that do not change the representation of the real property.

- 3) Requires a person who includes a digitally altered image in an advertisement or other promotional material for rental of real property to include in the advertisement or promotional material disclosure, as specified.
- 4) Requires a person to include the unaltered version of the images from which the digitally altered images were created in the posting if the advertisement or promotion material is posted on a website over which the person has control. This requirement can be met by complying with 3).
- 5) Specifies that architectural or artistic rendering is not considered an unaltered image for the purposes of this bill.

FISCAL EFFECT: According to the Assembly Committee on Appropriations, the bill will result in minor and absorbable costs to DRE. The DRE is currently engaged in a substantially similar rulemaking process for advertisements for the sale of real property, pursuant to AB 723 (Pellerin), Chapter 497, Statutes of 2025. To the extent this bill is enacted before the AB 723 rulemaking is complete, the DRE reports that the AB 2025 regulations could be folded into the AB 723 rulemaking effort, generating cost savings. The bill will also result in minor and absorbable workload costs for DRE to conduct licensee and consumer education, staff training, external communications review, web system updates, and enforcement data system programming changes to track complaints and potential enforcement actions. Minor and absorbable workload costs are also expected to trial courts and county district attorneys for any misdemeanor prosecutions of real estate licensees. The volume of such prosecutions is expected to be low, as enforcement is most likely to occur through the DRE's administrative complaint process rather than through criminal proceedings.

COMMENTS:

1. **Purpose.** This bill is sponsored by the Author. According to the Author, "As both AI and do-it-yourself digital staging services continue to evolve, it becomes harder for the average person to differentiate between digitally staged images and unaltered images. Given the high competition in the rental market, it is not uncommon for renters to commit to a unit without visiting it in person. Without disclosures that a photo has been digitally altered and access to the unaltered original, these images risk unintended misrepresentation and consumer harm.

AB 2025 protects consumers from misleading rental listings by simply requiring disclosure and labeling of virtually staged and altered images and requiring that access be provided to the original image."

2. **Background.**

Digital Staging of Rental Properties. Similar to real estate sales, property managers may stage rental properties by moving furniture into an empty property and arranging it in visually pleasing ways to give prospective renters an idea of the home's potential. However, staging requires the property to be vacant, which results in increased costs and lost income for the property owner or landlord. Alternatively, digital staging is a useful and economical way to portray a property in its best light.

Digital staging can insert or change elements of a rental, including furniture, décor, wall color, and bathroom or kitchen elements to highlight the home's possibilities. It can also remove elements from images including out-of-date furniture and décor, as well as personal belongings.

Virtual staging can become misleading when it is used to substantially alter the condition of the property by improving unappealing views from windows that cannot be changed, removing unsightly features, repairing damage, updating floors and cabinetry, adding non-existent landscaping, and other alterations to the image. As editing tools and artificial intelligence improve and become more user friendly and widely used, the difference between an altered image can be difficult, if not impossible, to distinguish from an unedited image. Misrepresentations can become especially harmful when image alterations hide a state of disrepair or unsafe conditions or when a person commits to move into a rental based solely on the images, such as with a long distance move.

To promote transparency in advertising, this bill would require any person who posts a digitally altered image to disclose that fact and provide a link to the original image or to also include the original image.

The Real Estate Law and DRE Licensees. The Real Estate Law defines supplying prospective tenants with listings of residential real properties for tenancy as a "prepaid rental listing service," and requires a person to obtain a broker's license from the Department to provide these services.

Additionally, the Real Estate Law establishes various causes for discipline when any person acting as a real estate broker or salesperson makes false or misleading statements in advertising. Last year, AB 723 (Pellerin, Chapter 497, Statutes of 2025) addressed the content of images used in an advertisement for the sale of real property; however, the content of images used in rental property is not addressed by existing law. This bill would provide that it is a violation of the Real Estate Law when a licensee of the DRE does not comply with posting and disclosure requirements concerning digitally altered images in advertisements for rental properties and subjects the licensee the disciplinary action.

1. **Related Legislation.** AB 723 (Pellerin, Chapter 723, Statutes of 2025) requires a licensed real estate broker or salesperson, or person acting on their behalf, who digitally alters an image used to promote the sale of real property to include a conspicuously located disclosure that the image has been altered and requires the posting to include an unaltered version of the image or a link to a publicly available website, URL, or QR code to the original image.
2. **Arguments in Support.** Consumer Reports writes, "Californians looking for a place to live during a housing crisis are having a harder and harder time figuring out how real various representations are. While AI can potentially save landlords money and be reasonably used to help stage properties, consumers deserve to know the actual condition of properties before deciding whether to invest time and money in visiting — or even making offers, for example in the case of someone moving across the country to California...Providing some basic bright-line rules of the road will lead to a more honest and equitable marketplace for California residents."

PowerCA Action writes, “As both AI and do-it-yourself digital staging services continue to evolve, it becomes harder for the average person to differentiate between digitally staged images and unaltered images. Given the high competition in the rental market, it is not uncommon for renters to commit to a unit without visiting it in person. Without disclosures, these images risk misrepresentation and consumer harm.”

SUPPORT AND OPPOSITION:

Support:

Consumer Reports
PowerCA Action

Opposition:

None received

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