



**Residential
Tenancy Office**

Prince Edward Island • CANADA

2026 Allowable Annual Rent Increase is 2%

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BACKGROUND

1. The *Residential Tenancy Act* authorizes the Director of Residential Tenancy to establish the allowable annual increase in rent for each calendar year. Subsection 49(2) of the Act directs that the allowable annual rent increase is to be based on (a) written representations from landlords and tenants and (b) the percentage change from year to year in the All-Items Consumer Price Index for PEI.¹
2. The Director's task pursuant to subsection 49(2) is to review and analyze the representations of both landlords and tenants, consider the All-Items CPI percentage change, and determine the allowable annual rent increase in light of both factors.
3. In doing so, it is important to note that Prince Edward Island is a rent-controlled jurisdiction where rent is connected to the rental unit and not the tenant. This means that landlords cannot legally increase rent when a new tenant moves in. Therefore, deciding the allowable annual rent increase each year is an exercise in balancing the competing interests of rising operating costs, a low vacancy rate, and an increasingly expensive world, all within a legislative framework.

FACTORS

49(2)(a) - Representations of Landlords and Tenants

4. In August 2025, the Director invited written representations from landlords and tenants. A total of 34 representations were received; 24 from landlords and 10 from tenants. The rent increases suggested were: 13 representations recommended 0 to 2%; 11 representations recommended 3%; 6 representations recommended 5 to 9%; and 4 representations recommended 10 to 15%.
5. The representations from landlords were largely consistent and included two main themes. First, many landlords said that their operating costs have continued to increase while allowable rent increases have not kept up with the pace of those increases. In particular, many landlords highlighted the increasing costs of property taxes, mortgage rates, and other costs such as insurance, electricity, water, and heating oil. Second, landlords submitted that as these operating costs continue to increase, it becomes more difficult to maintain properties. Landlords expressed that they sometimes struggle to address necessary repairs and are reducing their reinvestment into rental properties as a result.
6. The representations from tenants were also largely consistent, with two main themes emerging. First, tenants raised the issue of affordability and highlighted the challenges of living on fixed incomes, increasing costs of living, and limited availability of affordable units, particularly where the vacancy rate is low. The second theme is that most landlords continue to profit from their investment in rental properties with a high demand for housing and limited supply available, as well as the recent rent increases that have been allowed.
7. I also note that tenants expressed their opinion that rent should not increase beyond what is actually needed to sustain the rental properties. Tenants also expressed concerns that they see a consistent reduction in the quality of their living space and associated services, while being expected to pay more rent.

¹ The *Regulations* do not specify any other factors to consider at clause 49(2)(c).

49(2)(b) – All-Items CPI for PEI

8. In accordance with clause 49(2)(b), the percentage change from year to year in the All-Items Consumer Price Index (CPI) Prince Edward Island was requested from the Commission.
9. The percentage change All-Items CPI for PEI for the period July 2024 to June 2025 was 1.2%:

Average Percentage change from July 2024 to June 2025	
Avg Jul 2023 to Jun 2024	164.3
Avg Jul 2024 to Jun 2025	166.3
1 yr Change	
24/25 over 23/24	1.2%

ANALYSIS

10. In determining the 2026 allowable annual rent increase amount, the landlord and tenant representations received were measured against CPI data and other available information in order to come to a balanced decision.
11. In doing so, an in-depth analysis into CPI data is helpful to verify the submissions made by landlords. In particular, their submissions with respect to rising operating costs. For example, in Commission Order LR22-54, which set the allowable annual rent increase for 2023, the Commission analyzed components of CPI data most affecting landlords. The Order stated:

Other expenditures that are significant to rental accommodations include mortgage interest costs, property taxes, insurance and repairs and maintenance. These types of expenditures are included in the CPI index under the Owned Accommodation basket.

12. The Owned Accommodation basket includes, for example, property taxes, mortgage interest and insurance, maintenance and repairs. Landlords raised the continued increase to many of these specific costs in their written representations.
13. Using a similar approach to Order LR22-54, I note that there was a 2.3% increase year over year in the Owned Accommodations basket. This is compared to a 1.2% increase under All-Items, which includes all goods and services, many of which may not be relevant to the operation of a rental unit.
14. The CPI data baskets further broken down show a 4.1% increase in property taxes, a 3% increase in electricity, and a 3% increase in water. However, it is important to note that the data also indicates a decrease of 3.4% in maintenance and repairs and a decrease of 14.4% in the cost of fuel oil. The fluctuation in fuel oil can be viewed as beneficial to either landlords or tenants, depending on whether oil heat is included in the rent paid or if a tenant must cover this cost. This is, therefore, a somewhat neutral indicator.
15. Analyzing this data, particularly compared to the All-Items CPI, I am satisfied that the representations of landlords accurately reflect that operating costs associated with rental units continue to rise overall.

16. With respect to the submissions of landlords that rent increases have not kept pace with the increases in operating costs, the Director compared the approved annual rent increases against the CPI All-Items and Owned Accommodation baskets over the last 6 years:

Year	Approved Annual Rent Increase in PEI	CPI All Items	CPI Owned Accommodations
2020*	1.3%	0.9%	2.8%
2021*	1.0%	0.8%	2.8%
2022*	1.0%	2.2%	3.1%
2023*	0%†	8.1%	5.3%
2024**	3.0%	6.1%	4.7%
2025**	2.3%	2.3%	4.7%
2026**	2.0%	1.2%	2.3%

†Order LR22-54 authorized an increase of 10.8% for heated premises and 5.2% for unheated premises. However, the Government of PEI introduced legislation to limit the 2023 increase to 0%.

17. The table above demonstrates that, year over year since 2020, allowable rent increases have been well below the CPI Owned Accommodations basket. More importantly, allowable rent increases have been below the CPI All-Items percentage change in three of the last six years. This supports the representations of landlords that they are struggling keep up with the rising costs associated with operating a rental unit.
18. With respect to the tenant representations, it is true that affordable housing stock remains low. Further, the vacancy rate in Prince Edward Island remains less than 1.0%. In fact, according to the Canada Mortgage and Housing Corporation, PEI's vacancy rate was 0.8% as of December 2024. This is the lowest reported vacancy rate in the country. I also accept that tenants are facing the realities of rising costs, as evidenced by the increase in CPI All-Items. This is especially true for those living on fixed incomes.

DECISION

19. In conclusion, after a detailed review and analysis of the 34 representations received from landlords and tenants and the CPI All-Items percentage change, **the Director establishes the 2026 annual allowable rent increase for all residential rental properties in PEI to be 2.0%.** The Director is satisfied that an increase of 2.0% strikes a balance between the representations received and the CPI All-Items percentage change.
20. The Director reminds landlords that rent in PEI is permitted to be raised once every 12 months, with three months' written notice to tenants, on an approved form, before the rent increase can take effect.

* The Commission relied upon CPI data for the period from August to July.

** Per the *Residential Tenancy Act*, the Director relied upon CPI data for the period from June to July.