Residential Tenancy Office

Prince Edward Island • CANADA

2027 Allowable Annual Rent Increase is 2.1%

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BACKGROUND

1. The *Residential Tenancy Act* authorizes the Director of Residential Tenancy (the "Director") to establish the allowable annual rent increase 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 averaged by the Commission over the 12 month period that ends at the end of June of the previous calendar year.[1]

2. The Director's task under 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 lawfully increase rent when one tenant moves out and another 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 legislated framework of 0 to 3%.

2027 ALLOWABLE ANNUAL RENT INCREASE

4. **The 2027 allowable annual rent increase for all residential rental properties in Prince Edward Island is 2.1%.**

FACTORS

<u>49(2)(a) - Representations of Landlords and Tenants</u>

5. In August 2026, the Director invited written representations from landlords and tenants via the Rental Office website, advertisements in newspapers and via a series of local radio advertisements. A total of 85 representations were received by the deadline; 60 from tenants, and 25 from landlords. The rent increases suggested were: 34 recommended 0% or a rent freeze; 9 recommended 1 to 2%; 15 recommended 3%; 3 recommended 5 to 10%; 1 recommended 15 to 20%; and 23 representations did not specify any amount.

6. The representations from landlords included two main themes; operating and maintenance costs. 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, 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 are challenged to address necessary repairs and the gap between what a landlord can charge and what it costs to maintain housing is growing.

7. The representations from tenants included two main themes; affordability and continued landlord profits. First, tenants raised the issue of affordability and highlighted the challenges of living on fixed incomes, an increasing cost of living, rising food prices, and limited availability of affordable units, particularly where the vacancy rate remains low. The second theme is that most landlords continue to profit from their investment in rental properties while not keeping up with maintaining them. There is a high demand for affordable housing against a limited supply available. This year many tenants asked for a rent freeze or 0% in order to catch up.

[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 2025 to June 2026 was 2.1%:

Average Percentage change from July 2025 to June 2026	
Avg Jul 2024 to Jun 2025	166.3
Avg Jul 2025 to Jun 2026	169.8
1 yr Change	
25/26 over 24/25	2.1%

ANALYSIS

10. 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 type of expenditures are included in the CPI index under the Owned Accommodation basket."*

11. The Owned Accommodation basket includes, for example, property taxes, mortgage interest and insurance, maintenance and repairs. In other words, some of the expenses landlords incur in operating rental units. Landlords raised the continued increase to many of these specific costs in their written representations. Looking to the Owned Accommodation basket is one way to verify landlords' submissions.

12. Between July 2025 and June 2026, there was a 0.9% increase year over year in the Owned Accommodation basket. This is a drop from last year's data, which indicated a larger increase of 2.3%.

13. The Owned Accommodation basket further broken down does indicate an increase across the baskets, for example: a 3.3% increase in property taxes, a 4.5% increase in mortgages and insurance, and a 1.6% increase in maintenance and repairs. This accurately reflects the submissions of landlords that some operating costs for rental units continue to increase year over year. However, the data indicates that, overall, the costs included in the Owned Accommodation basket have started to level off when compared to the previous year (July 2024 to June 2025).

14. The CPI data also indicates an increase in the cost of fuel oil, up 11.9% from a decrease of 14.4% the previous year. As indicated last year, the fluctuation in fuel oil is treated as a neutral indicator as it can be viewed as beneficial to either landlords or tenants, depending on whether oil is included in the rent paid versus if a tenant must cover this cost. Also important is the significant volatility in global fuel prices over the recent past, making this a less reliable indicator of expected operating costs.

15. 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 allowable 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 Accommodation
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%
2027*	*2.1%*	*2.1%*	*0.9%*

†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%.

16. The table above demonstrates that, year over year from 2021 to 2025, allowable annual rent increases had been below both the CPI All Items and Owned Accommodation, confirming the representation of landlords that the increase in operating costs was outpacing rent increases. Last year's allowable annual rent increase recognized this gap.

17. This year, however, the data demonstrates something different. While the operating costs for landlords have continued to rise, the data supports a finding that they are below CPI All Items.

18. Tenants maintain that affordable housing stock remains low despite the vacancy rate improvement in Prince Edward Island to 2.1% (according to the Canada Mortgage and Housing Corporation's data from October 2025). The increasing vacancy rate suggests that available housing supply is increasing, which contributes to a more competitive rental market and weighs against a rent increase at or nearing the 3% cap.

19. I also accept that tenants are facing the realities of rising costs in many areas. This is especially true for those living on fixed incomes.

DECISION

20. Considering all of the above, the allowable annual rent increase for 2027 is 2.1%. The increase is equal to the CPI All Items for PEI, which is a predictable indicator of inflation and acknowledges the affordability and cost of living pressures faced by tenants. This increase recognizes that landlords continue to face increases in operating costs, while also taking into account the data suggesting that the gap between rent increases and operating costs has narrowed, and that housing supply is increasing.

21. I remind 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.

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* 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 July to June.