

INTRODUCTION

- [1] The Landlord seeks a 5.0% rent increase for the Unit effective February 1, 2025, being an additional 2.7% increase above the 2025 annual allowable guideline.

DISPOSITION

- [2] I find that the evidence supports the proposed rent increase.

BACKGROUND

- [3] On October 29, 2024 the Landlord filed a first *Form 9 Landlord Application to Request Additional Rent Increase* with the Residential Tenancy Office (the "Rental Office"). On this date the Landlord also served the Tenant with a *Notice of Annual Allowable Rent Increase* (the "Form 8 Notice") which stated that the rent for the Unit would increase by 5.0% effective February 1, 2025.
- [4] On October 29, 2024 the Landlord provided the Rental Office with a *Form 10 Landlord Statement of Income and Expenses* (the "Statement").
- [5] On November 26, 2024 the Landlord filed a second *Form 9 Landlord Application to Request Additional Rent Increase* (the "Application") with the Rental Office regarding the same proposed rent increase. The Landlord served a copy of the Application to the Tenant. The Application shows the current rent, proposed rent, the date of the last rent increase and the proposed effective date of the rent increase.
- [6] On November 26, 2024 the Rental Office emailed the parties notice of a teleconference hearing, scheduled for December 12, 2024.
- [7] On December 12, 2024 the Landlord's three representatives participated in the teleconference hearing. The Tenant did not participate in the hearing and the hearing proceeded in the Tenant's absence.

ISSUE

- A. Does the evidence support a 5.0% rent increase for the Unit?

ANALYSIS

- [8] The Landlord provided documentary evidence and testimony regarding the value of the Unit
- [9] I note that the Island Regulatory and Appeals Commission (the "Commission") made the following comment regarding return on investment in Order LR24-27:
- "In previous orders of the Commission respecting additional rent increases under the former Rental of Residential Property Act, we used a guideline for a reasonable return on investment of between 4% and 7%, depending on the circumstances."*
- [10] I have considered the tax assessed value for determining the Landlord's return on investment. The proposed rent increase is supported even with this conservative estimate of the value of the Unit. The Landlord's return on investment is shown in Appendix "A."

Factors**i. Does the evidence support a 5.0% rent increases for the Unit?**

- [11] In order to determine the Application, I must consider the following factors in subsection 50(3) of the *Residential Tenancy Act* (or the "Act"), which are as follows:
1. The rent history for the affected Unit in the three years preceding the date of the Application;
 2. A change in operating expenses and capital expenditures in the three years preceding the date of the Application that the Director considers relevant and reasonable;
 3. The expectation of the Landlord to have a reasonable return on their capital investment; and
 4. The expectation of the Tenant that rent increases will remain within the annual guideline.
- [12] Subsection 50(4) of the *Act* provides that I have the discretion to consider any other relevant factor and any factor prescribed in the *Residential Tenancy Regulations* (or the "*Regulations*"). The only other factor stated in the *Regulations* is that the purchase of the residential property should not require an increase of rent within the first year in order to achieve a reasonable return on the landlord's capital investment.
- [13] I find that this factor is not relevant because the Landlord did not recently purchase the Unit.

Review and Weighing the Factors

- [14] The documentary evidence shows the Unit's rent history for the last three years. There have been two rent increases in the last three years, with the last rent increase being an above guideline increase approved by the Rental Office.
- [15] The evidence establishes that the Landlord's operating costs have increased over the past three years. In particular, the provincial and municipal tax increased by almost \$1,600.00 from 2023 to 2024. The proposed 5.0% increase will amount to additional rent of \$1,296.00 annually for the Unit. Therefore, the proposed increase will not cover solely the Unit's increased property taxes.
- [16] The Landlord is obtaining a 3.2% return on investment based upon the current rent. The Landlord would be making a 3.6% return based upon the proposed rent. This is slightly below the 4.0% to 7.0% range considered by the Commission to be a reasonable rate of return.
- [17] The Tenant did not submit any evidence disputing the proposed above guideline increase.
- [18] I find that the factors when weighed together support a 5.0% rent increase. In particular, the proposed increase will not cover the recent increase in the Landlord's property taxes. The Landlord's return on investment with the proposed rent also supports the rent increase.
- [19] The Landlord notified the Tenant of the proposed 5.0% rent increase on October 29, 2024 by serving the Form 8 Notice with the above guideline increase. As a result, the rent increase will be effective on February 1, 2025, being 12 months since the date of the last increase.
- [20] The Application is allowed.

NOTICE

Right to Appeal

This Order can be appealed to the Island Regulatory and Appeals Commission (the "Commission") by serving a Notice of Appeal with the Commission and every party to this Order within **20 days of this Order**. If a document is sent electronically after 5:00 p.m., it is considered received the next day that is not a holiday. If a document is sent by mail, it is considered served on the third day after mailing.

Filing with the Court

If no appeal has been made within the noted timelines, this Order can be filed with the Supreme Court of Prince Edward Island and enforced as if it were an order of the Court.