

INTRODUCTION

- [1] The Landlord seeks 5.3% rent increases for the Units, being an additional 3.0% above the 2025 annual allowable guideline of 2.3%.

DISPOSITION

- [2] I find that the evidence supports 5.3% rent increases.

BACKGROUND

- [3] On September 26, 2024 the Landlord filed with the Residential Tenancy Office (the "Rental Office") and served the Tenants thirteen *Form 9 Landlord Applications to Request Additional Rent Increases* (the "Applications") and thirteen *Form 8 Notices of Annual Allowable Rent Increases*.
- [4] On October 15, 2024 the Rental Office mailed and emailed the parties notice of a teleconference hearing, scheduled for November 26, 2024.
- [5] On November 22, 2024 the Landlord provided the Rental Office with a *Form 10 Landlord Statement of Income and Expenses* (the "Statement").
- [6] On November 22, 2024 the Rental Office emailed the parties an evidence package (the "Evidence Package") for the parties with an email address. The Landlord delivered the Evidence Package to the Tenants that did not have an email address.
- [7] On November 26, 2024 the Landlord's three representatives participated in the teleconference hearing. The Tenants did not participate in the hearing.

ISSUE

- A. Does the evidence support 5.3% rent increases for the Units?

ANALYSIS

- [8] The Landlord provided documentary evidence and testimony regarding the income, expenses and value of the Units. The Statement is adjusted in Appendix "A" of this decision. In particular, the vacancy/arrears amount reflects the average amount from 2021 to 2023. The management fees are reduced to 5.0% of the gross rental income because of subsection 1(c) of the *Residential Tenancy Regulations* (the "Regulations"), which states:

"management fee" means the actual cost of the management fee or 5 per cent of the gross rental income for the previous year, whichever is the lesser.

- [9] I have considered the tax assessed value for determining the Landlord's return on investment, which is a conservative estimate of the value of the Units. The Landlord's return on investment is calculated in Appendix "A."

Factors**Does the evidence support 5.3% rent increases for the Units?**

- [10] In order to determine the Applications, 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 Units in the three years preceding the date of the Applications;

2. A change in operating expenses and capital expenditures in the three years preceding the date of the Applications 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 Tenants that rent increases will remain within the annual guideline.

[11] Subsection 50(4) of the *Act* provides that I have the discretion to consider any other relevant factor and any factor prescribed in 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.

[12] I find this factor is not relevant in this case because the Landlord purchased the Units in 2020.

Review and Weighing the Factors

[13] The documentary evidence shows the rent history for the last three years. There have been two rent increases during this time.

[14] The evidence establishes that the Landlord's operating costs have significantly increased over the past three years and the Landlord has significant capital expenditures.

[15] When determining the Landlord's return on capital investment, the Island Regulatory and Appeals Commission (the "Commission") in Order LR24-27 stated:

"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."

[16] The Landlord is not obtaining a return on investment (-0.3%) based upon the current rents. The Landlord would be making a 0.6% return based upon the proposed rents. This is below the 4.0% to 7.0% range considered by the Commission to be a reasonable rate of return.

[17] The Tenants did not dispute above guideline increases for the Units in 2025.

[18] I find that the factors when weighed together support a 5.3% rent increases. In particular, the Landlord's operating expenses have significantly increased and the Landlord has significant capital expenditures. Based upon the Appendix "A" calculations, the Landlord is currently operating at a loss and the Landlord will have a minor return on investment with the proposed increases.

[19] I note that the application for unit 11 provides for a 5.3% rent increase. The proposed rent should be \$735.00 and the application is amended with this amount under subsection 80(3) of the *Act*.

[20] The Applications are allowed.

[21] This decision contains sensitive information and the parties are required to preserve its confidentiality under subsection 75(3) of the Act.

IT IS THEREFORE ORDERED THAT

1. Effective January 1, 2025, the maximum allowable rent for the Units are increased by 5.3% as follows:

<u>Unit</u>	<u>Rent</u>
1	\$777.00
2	\$735.00
3	\$735.00
4	\$735.00
5	\$735.00
6	\$735.00
7	\$777.00
8	\$777.00
9	\$735.00
10	\$735.00
11	\$735.00
12	\$735.00
13	\$777.00

DATED at Charlottetown, Prince Edward Island, this 19th day of December, 2024.

(sgd.) Andrew Cudmore

Andrew Cudmore
Residential Tenancy Officer

APPENDIX "A"
Revised Statement of Income & Expenses (Form 10)

	<u>Current Rent</u>	<u>5.3% Increase</u>
Rental Income		
Income (Line 1)	\$110,808.00	\$116,676.00
Vacancy/Arrears (Line 2)	(\$1,883.74)	(\$1,983.49)
Net Income (Line 3)	\$108,924.26	\$114,692.51
Expenses		
1st Mortgage Interest (Line 4)	\$0.00	\$0.00
2nd Mortgage Interest (Line 5)	\$0.00	\$0.00
Fuel (Line 6)	\$20,598.00	\$20,598.00
Water & Sewer (Line 7)	\$8,930.00	\$8,930.00
Electricity (Line 8)	\$6,661.00	\$6,661.00
Insurance (Line 9)	\$10,169.25	\$10,169.25
Property Tax (Provincial) + IWMC (Line 10)	\$8,567.59	\$8,567.59
Property Tax (Municipal) (Line 11)	\$4,691.87	\$4,691.87
Management Fee (Line 12)	\$5,446.21	\$5,734.63
Maintenance Fee (Line 13)	\$38,221.00	\$38,221.00
Capital Expenditures (Line 14)	\$7,500.00	\$7,500.00
Other (Line 15)	\$0.00	\$0.00
Total Expenses	<u>\$110,784.92</u>	<u>\$111,073.34</u>
Annual Net Profit	(\$1,860.66)	\$3,619.17
Return on Investment		
Value of Investment (tax assessed value)	\$634,036.00	\$634,036.00
Net Profit	(\$1,860.66)	\$3,619.17
Return on Capital Investment	-0.3%	0.6%

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.