

**INTRODUCTION**

- [1] The Landlord's representative (the "Representative") applied for approval of a 5.3% rent increase for the Unit, which is an additional 3.0% increase above the 2025 annual allowable guideline of 2.3%.

**DISPOSITION**

- [2] I find that a 5.3% rent increase is supported.

**BACKGROUND**

- [3] On November 5, 2024 the Representative filed a *Form 9 Landlord Application to Request Additional Rent Increase* (the "Application") with the Residential Tenancy Office (the "Rental Office"). Included with the Application was a *Form 8 Tenant Notice of Annual Allowable Rent Increase* (the "Notice").
- [4] The Application shows the current rent, the proposed rent, the date of the last rent increase and the effective date for the additional rent increase.
- [5] On December 10, 2024 the Rental Office emailed the parties notice of a teleconference hearing, scheduled for January 28, 2025.
- [6] On January 13, 2025 the Rental Office emailed the parties a 50-page PDF document (the "Evidence Package"). Included in the Evidence Package was a *Form 10 Statement of Income and Expenses* (the "Statement").
- [7] On January 28, 2025 the Representative participated in the hearing for determination of the Application. The Tenant previously informed the Rental Office that she was not participating in the hearing. The Representative confirmed all documents submitted to the Rental Office were included in the Evidence Package.

**ISSUE**

- i. Does the evidence support a 5.3% rent increase for the Unit?

**ANALYSIS****Adjustments to the Statement**

- [8] The adjustments to the Statement are provided below and are reflected in Appendix "A" of this decision.

**Insurance**

- [9] The Statement disclosed an incomplete expense for the annual insurance. The evidence submitted shows the expense ledger for 2024 (EP27). The annual insurance expense was \$1,497.55.

**Maintenance**

- [10] The Statement disclosed an incomplete expense for the annual maintenance and repairs cost. The evidence submitted shows the expense ledger for 2024 (EP27). The maintenance and repair expense included some electrical work completed in October 2024, calculated at \$1,372.45.

**Value of Investment**

- [11] The Representatives stated that the Unit was purchased in the 1950s. There was no recent appraisal completed for the Unit. The Statement discloses the value of the investment in the Unit at \$123,513.00. However, the 2024 tax assessed value of the Unit is \$159,400.00. The Representative stated that there is no outstanding mortgage for the Unit.
- [12] 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."*
- [13] The circumstances were generally that the Commission would consider a recent purchase price, the tax assessed value or an averaging of the tax assessed value with a third party appraisal.
- [14] In these circumstances, I find that using the 2024 tax assessed value the best method for valuing the Unit for the purposes of the Application, in the amount of \$159,400.00.

**Factors**

- [15] In order to determine the Application, I must consider the following factors under subsection 50(3) of the *Residential Tenancy Act* (or the "Act"):
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 of Residential Tenancy considers relevant and reasonable;
  3. The expectation of the Landlord to have a reasonable return on capital investment; and
  4. The expectation of the Tenant that rent increases will remain within the annual guidelines.
- [16] Subsection 50(4) of the Act provides that I have the discretion to consider any other factor and any factor prescribed in the *Residential Tenancy Regulations* (the "Regulations"). The only other factor 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.
- [17] In these circumstances, I find that this factor is not relevant because the Landlord has owned the Unit since the 1950s.

**Reviewing and Weighing the Factors**

- [18] The Unit's rent history over the past three years was included. The last rent increase was March 1, 2020.
- [19] Based upon the adjustments to the Statement, there is an increase in the operating expenses.
- [20] The Landlord is currently obtaining a 6.3% return on investment ("ROI"). With the additional rent increase, the Landlord's ROI would increase to 6.9%.

- [21] The Tenant did not submit evidence and/or provide testimony regarding their expectation that rent increases will remain within the annual guidelines.
- [22] I have reviewed and weighed the factors with the evidence provided. I find that a 5.3% rent increase is supported for the Unit. Particularly, I find that the Landlord's ROI would be below the 7.0% reasonable return. Further, the Landlord's operating expenses have increased and the last rent increase for the Unit was in March 2020.
- [23] The Application is allowed.
- [24] **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 March 1, 2025, the maximum allowable rent for the Unit is \$1,579.50.

**DATED** at Charlottetown, Prince Edward Island, this 4th day of February, 2025.

(sgd.) Cody Burke

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**Cody Burke**  
**Residential Tenancy Officer**

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

	Current	Allowable (2.3%)	Requested Increase (5.3%)
<b>Rental Income</b>			
Income (Line 1)	\$18,000.00	\$18,414.00	\$18,954.00
Arrears (Line 2)	\$0.00	\$0.00	\$0.00
Net Income (Line 3)	<b>\$18,000.00</b>	<b>\$18,414.00</b>	<b>\$18,954.00</b>
<b>Expenses</b>			
1st Mortgage Interest (Line 4)	\$0.00	\$0.00	\$0.00
2nd Mortgage Interest (Line 5)	\$0.00	\$0.00	\$0.00
Fuel (Line 6)	\$1,681.00	\$1,681.00	\$1,681.00
Water & Sewer (Line 7)	\$0.00	\$0.00	\$0.00
Electricity (Line 8)	\$1,866.00	\$1,866.00	\$1,866.00
Insurance (Line 9)	\$1,497.55	\$1,497.55	\$1,497.55
Property Tax (Provincial) (Line 10)	\$1,250.02	\$1,250.02	\$1,250.02
Property Tax (Municipal) (Line 11)	\$0.00	\$0.00	\$0.00
Management Fee (Line 12)	\$0.00	\$0.00	\$0.00
Maintenance Fee (Line 13)	\$1,372.45	\$1,372.45	\$1,372.45
Capital Expenditures (Line 14)	\$0.00	\$0.00	\$0.00
Other - IWMC fee (Line 15)	\$213.00	\$213.00	\$213.00
Total Expenses	<b><u>\$7,880.02</u></b>	<b><u>\$7,880.02</u></b>	<b><u>\$7,880.02</u></b>
Annual Net Profit	<b>\$10,119.98</b>	<b>\$10,533.98</b>	<b>\$11,073.98</b>
Value of Investment	\$159,400.00	\$159,400.00	\$159,400.00
Net Profit	<b>\$10,119.98</b>	<b>\$10,533.98</b>	<b>\$11,073.98</b>
Return on Capital Investment	<b>6.3%</b>	<b>6.6%</b>	<b>6.9%</b>

**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.