

INTRODUCTION

- [1] The Landlord seeks 10.95% rent increases for the Units, being an additional 8.65% above the 2025 annual allowable guideline of 2.3%.

DISPOSITION

- [2] I find that the evidence does not support 10.95% rent increases.

BACKGROUND

- [3] On October 30, 2024, the Landlord provided the Residential Tenancy Office (the "Rental Office") with a *Form 10 Landlord Statement of Income and Expenses* (the "Statement").
- [4] On November 8, 2024, the Landlord filed with the Rental Office twelve *Form 9 Landlord Applications to Request Additional Rent Increases* (the "Applications"). The Applications and twelve *Form 8 Notices of Annual Allowable Rent Increases* were served to the Tenants on September 16, 2024, and September 17, 2024, respectively.
- [5] On December 12, 2024, the Rental Office emailed the parties notice of a teleconference hearing scheduled for January 14, 2025. The Landlord delivered the hearing notices to the Tenants who did not have an email address.
- [6] On January 7, 2025, the Rental Office emailed the parties an evidence package (the "Evidence Package"). The Landlord delivered the Evidence Package to the Tenants who did not have an email address.
- [7] On January 14, 2025, the Landlord's three representatives participated in the teleconference hearing. One Tenant participated in the hearing.

ISSUE

- A. Does the evidence support 10.95% 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.
- [9] In particular, the Landlord combined the provincial and municipal taxes on Line 10. The Landlord also amended Line 11 to detail "Administration" expenses. I have accepted both of these adjustments.
- [10] The Landlord purchased the Units (the "Residential Property") in 2001, but the Representatives were unsure of the purchase price. The 2024 tax-assessed value of the Residential Property is \$623,700.00. The Landlord submitted a 2020 appraisal as evidence, which valued the property at \$1,200,000.00. There is no mortgage on the property.
- [11] In Order LR24-27, the Island Regulatory and Appeals Commission (the "Commission") commented:

In previous Orders, the Commission has considered reasonable return on investment rates and has found them to be, in recent years, in the range of 4% to 7%. The Commission has used 7% as an appropriate ROI where the Landlord is relying on a recent actual purchase price or on the tax assessed value. A lower rate of 4% has been used when the Landlord is using a blend of the tax assessed value and an appraisal done for the Landlord's benefit.

[12] The Representatives are unsure of the purchase price, and the tax-assessed value is lower than the average of the appraisal and tax-assessed value. Therefore, I will average the appraisal and tax-assessed value to assist in calculating the property's current value. I find that the Landlord's investment in the property is **\$911,850.00**, calculated as $(\$1,200,000.00 + \$623,700.00) / 2$.

[13] The Landlord's return on investment is calculated in Appendix "A."

Factors

Does the evidence support 10.95% rent increases for the Units?

[14] In order to determine the Applications, I must consider the following factors in subsection 50(3) of the *Residential Tenancy Act* (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.

[15] 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* (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.

[16] I find this factor is not relevant in this case because the Landlord has owned the Units since 2001.

Review and Weighing the Factors

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

[18] The evidence establishes that the Landlord's operating costs have increased over the past three years. The Landlord has claimed no capital expenditures.

[19] In Order LR24-27, the Commission commented that a reasonable return on investment of 4.0% is appropriate when a landlord relies on the average of an appraisal and the property's tax-assessed value and 7.0% when relying on the tax-assessed value alone.

[20] The Landlord is currently making a return on investment of 4.2% based on the current rents. The Landlord would be making a 5.7% return based on the proposed rents. This is above the 4.0% return considered by the Commission to be a reasonable rate of return.

[21] The Tenant who participated in the hearing stated that the requested rent increase was high.

[22] After considering and weighing all the factors and evidence, I find that the Landlord is already making a reasonable return on investment. I find that the evidence does not support 10.95% rent increases for the Units. The Applications are denied.

[23] The Units' rents will increase by the 2.3% annual guideline set by the Director for 2025, effective by the timelines noted below.

[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. The maximum allowable rents for the Units are increased by 2.3% as follows:

Unit	Rent	Date
1	\$792.00	March 1, 2025
2	\$844.00	October 1, 2025
3	\$836.00	March 1, 2025
4	\$736.00	March 1, 2025
5	\$926.00	March 1, 2025
6	\$890.00	March 1, 2025
7	\$926.00	March 1, 2025
8	\$926.00	March 1, 2025
9	\$913.00	March 1, 2025
10	\$927.00	March 1, 2025
11	\$810.00	March 1, 2025
12	\$913.00	March 1, 2025

DATED at Charlottetown, Prince Edward Island, this 26th day of February, 2025.

(sgd.) Mitch King

Mitch King
Residential Tenancy Officer

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

	<u>Current</u>	<u>Proposed (10.95%)</u>	<u>Allowed (2.3%)</u>
<u>Income</u>			
Rental Income at 100% (Line 1)	\$123,962.98	\$137,146.56	\$129,356.13
Vacancy Arrears/Losses (Line 2)	(\$1,041.37)	\$0.00	\$0.00
<u>Net Income before expenses (Line 3)</u>	<u>\$122,921.61</u>	<u>\$137,146.56</u>	<u>\$129,356.13</u>
<u>Expenses</u>			
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)	\$10,863.31	\$10,863.31	\$10,863.31
Water & Sewer (Line 7)	\$3,619.88	\$3,619.88	\$3,619.88
Electricity (Line 8)	\$2,349.81	\$2,349.81	\$2,349.81
Insurance (Line 9)	\$2,629.24	\$2,629.24	\$2,629.24
Property Tax (Line 10)	\$13,285.00	\$13,285.00	\$13,285.00
Administration (Line 11)	\$23,434.12	\$23,434.12	\$23,434.12
Management Fee (Line 12)	\$6,198.15	\$6,857.33	\$6,467.81
Maintenance Fee (Line 13)	\$15,838.09	\$15,838.09	\$15,838.09
Capital Expenditures (Line 14)	\$0.00	\$0.00	\$0.00
Other (Line 15)	\$6,080.17	\$6,080.17	\$6,080.17
Total Operating Expenses (Line 16)	<u>\$84,297.77</u>	<u>\$84,956.95</u>	<u>\$84,567.43</u>
Net Profit or (Loss) (Line 17)	\$38,623.84	\$52,189.61	\$44,788.70
Value of Investment in Property	\$911,850.00	\$911,850.00	\$911,850.00
Operating Income (Line 17)	\$38,623.84	\$52,189.61	\$44,788.70
Return on Investment (ROI)	4.2%	5.7%	4.9%

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.