

INTRODUCTION

- [1] The Landlords applied for approval of a 32.3% rent increase, which included an additional 3.0% increase above the 2025 annual allowable guideline of 2.3%.

DISPOSITION

- [2] The evidence supports a 32.3% additional rent increase to be phased in over a period of time, as detailed below.

BACKGROUND

- [3] The Unit is one side of a side-by-side duplex (the "Residential Property") owned by the Landlords since 2023.
- [4] On October 15, 2024 the Landlords filed a *Form 9 Landlord Application to Request Additional Rent Increase* (the "Application") with the Residential Tenancy Office (the "Rental Office").
- [5] On October 31, 2024 the Landlords served the Tenant a *Form 8 Tenant Notice of Annual Allowable Rent Increase* (the "Notice").
- [6] On November 27, 2024 the Landlords amended the Application and the Notice. Copies of the amended Application and the Notice were served to the Tenant.
- [7] On December 16, 2024 the Rental Office emailed the parties notice of a teleconference hearing scheduled for February 11, 2025.
- [8] On January 27, 2025 the Rental Office emailed the parties a 60-page PDF document (the "Evidence Package"). Included in the Evidence Package was a *Form 10 Statement of Income and Expenses* (the "Statement"). The Statement disclosed half of the income and the expenses for the Residential Property, to represent the income and the expenses for the Unit.
- [9] On February 11, 2025, one of the Landlords (the "Landlord") joined the teleconference hearing. The Tenant informed the Rental Office prior to the hearing date that he would not participate in the hearing. The Landlord confirmed that all the documents submitted to the Rental Office were included in the Evidence Package.

ISSUE

- A. Does the evidence support a 32.3% rent increase for the Unit?

ANALYSIS

Adjustments to the Statement

- [10] The Landlord provided documentary evidence and testimony regarding the income, expenses and value of the Unit. The Statement is adjusted in Appendix "A" of this decision.
- [11] I have considered the 2023 purchase price for determining the Landlords' return on investment (\$275,000.00). The current mortgage has been deducted from this amount (\$264,838.23). The Landlords' equity in the Unit is \$10,161.77. The Landlords' return on investment is calculated in Appendix "A".

Factors

- [12] 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 Landlords 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.
- [13] 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.
- [14] I find this factor is not relevant in this case because the Landlords have owned the Unit since 2023.

Review and Weighing the Factors

- [15] The documentary evidence shows the rent history for the last three years. The Unit has not had a rent increase since 2012.
- [16] The evidence establishes that the Landlords’ operating expenses have increased since the Landlords purchased the Unit in 2023.
- [17] When determining the Landlords’ 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.”*
- [18] The Landlords are not obtaining a return on investment based upon the current rent. The Landlords would still not obtain a return on investment based upon the proposed rent. I note that the 4.0% to 7.0% range considered by the Commission to be a reasonable rate of return.
- [19] The Tenant submitted a written submission not disputing the rent increase.
- [20] The Landlords are seeking a 32.3% rent increase. Clauses 50(6) and (7) of the Act state:

Subject to subsection (7), in considering an application under this section, the Director may

- (a) grant the application, in full or in part;*
- (b) refuse the application;*
- (c) order that the increase granted be phased in over a period of time; or*
- (d) order that the effective date of the increase granted is conditional upon the landlord’s compliance with an order of the Director respecting the residential property.*

Where the Director grants an application under subsection (6) or orders that the increase granted be phased in over a period of time, the amount of the increase in rent in a calendar year shall not exceed 3 per cent in addition to the maximum percentage increased permitted under section 49.

- [21] I find that the factors weighed together support a 32.3% rent increase. In particular, the Landlords' operating expenses have increased and the Landlords are not obtaining a return on investment.
- [22] Clause 50(7) of the Act limits an additional rent increase to 3% in addition to the annual allowable guideline, which is 2.3% for 2025. This means the maximum rent increase permitted for 2025 is 5.3%. Clause 50(6) of the Act permits me to phase in a rent increase over a period of time.
- [23] The Application is allowed. The Landlords are entitled to an additional rent increase to be phased in over a period of time, as detailed below.
- [24] If the Landlords enter into a new tenancy with a new tenant, then the Landlords should provide the tenant with a copy of this Order.
- [25] **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 May 15, 2025, the maximum allowable rent for the Unit is \$947.70.
2. The Landlords can implement a 3.0% additional rent increase with notice, each year on the date of May 15 until the additional rent increase totals \$1,190.70 per month, after which they may not implement more additional rent.
3. Future Year's calculations: Previous year's rent + % (annual allowable guideline) and 3.0% additional increase.

DATED at Charlottetown, Prince Edward Island, this 7th day of March, 2025.

(sgd.) Cody Burke

Cody Burke
Residential Tenancy Officer

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

	Year 2024	2025 Maximum (5.3%)	Requested Increase (32.3%)
Rental Income			
Income (Line 1)	\$10,800.00	\$11,372.40	\$14,288.40
Arrears (Line 2)	\$0.00	\$0.00	\$0.00
Net Income (Line 3)	\$10,800.00	\$11,372.40	\$14,288.40
Expenses			
1st Mortgage Interest (Line 4)	\$6,773.30	\$6,773.30	\$6,773.30
2nd Mortgage Interest (Line 5)	\$0.00	\$0.00	\$0.00
Fuel (Line 6)	\$505.19	\$505.19	\$505.19
Water & Sewer (Line 7)	\$529.20	\$529.20	\$529.20
Electricity (Line 8)	\$1,172.94	\$1,172.94	\$1,172.94
Insurance (Line 9)	\$561.00	\$561.00	\$561.00
Property Tax (Provincial) (Line 10)	\$1,272.74	\$1,272.74	\$1,272.74
Property Tax (Municipal) (Line 11)	\$647.22	\$647.22	\$647.22
Management Fee (Line 12)	\$0.00	\$0.00	\$0.00
Maintenance Fee (Line 13)	\$4,218.42	\$4,218.42	\$4,218.42
Capital Expenditures (Line 14)	\$0.00	\$0.00	\$0.00
Other - Island Waste Fee (Line 15)	\$213.00	\$213.00	\$213.00
Total Expenses	<u>\$15,893.01</u>	<u>\$15,893.01</u>	<u>\$15,893.01</u>
Annual Net Profit	(\$5,093.01)	(\$4,520.61)	(\$1,604.61)
Value of Investment	\$10,161.77	\$10,161.77	\$10,161.77
Net Profit	(\$5,093.01)	(\$4,520.61)	(\$1,604.61)
Return on Capital Investment	0.0%	0.0%	0.0%

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.