

INTRODUCTION

- [1] The Landlord seeks a 5.0% rent increase for the Unit, being an additional 2.7% above the 2025 annual allowable guideline of 2.3%.

DISPOSITION

- [2] I find that the evidence does not support a 5.0% rent increase.

BACKGROUND

- [3] On October 28, 2024, the Landlord filed a *Form 9 Landlord Application to Request Additional Rent Increase* (the "Application") with the Residential Tenancy Office (the "Rental Office"). The Application and a *Form 8 Notice of Annual Allowable Rent Increase* were served to the Tenant on October 26, 2024.
- [4] On October 28, 2024, the Landlord provided the Rental Office with a *Form 10 Landlord Statement of Income and Expenses* (the "Statement").
- [5] On November 14, 2024, the Rental Office emailed the parties notice of a teleconference hearing scheduled for December 10, 2024. The hearing was later rescheduled.
- [6] On December 5, 2024, the Rental Office asked the Landlord if they would be submitting any further supporting documentation. No additional supporting documents were submitted.
- [7] On December 5, 2024, the Rental Office emailed the parties a 25-page evidence package.
- [8] On January 13, 2025, the Rental Office emailed the parties notice of a rescheduled teleconference hearing for February 4, 2025.
- [9] On February 4, 2025, the Rental Office emailed the parties notice that the Application would be determined by way of a paper-based hearing scheduled for February 27, 2025.
- [10] On March 18, 2025, the Landlord provided additional submissions to the Rental Office, which were provided to the Tenant.

ISSUE

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

ANALYSIS

- [11] The Landlord noted on the Statement that they were seeking an Allowable Rent Increase Percentage of 2.3% and an Additional Rent Increase Percentage of 3.0%. However, the Landlord noted that the Total Rent Increase Percentage they were seeking was only 5.1%. The Rental Office confirmed with the Representative that the Landlord was only seeking a total rent increase of 5.0%.
- [12] The Landlord provided limited documentary evidence regarding the income, expenses and value of the Unit.
- [13] In particular, the Landlord did not provide any supporting documentation, such as bills or invoices, to assist in establishing the Landlord's expenses on the Statement. The Landlord did provide some documentation showing projected expenses and savings for a proposed heat pump and solar panel installation for the Unit; however, these capital expenses have not yet been completed.

- [14] The Landlord noted on the Statement that the Unit was a “new build” in 2023; however, the Landlord did not provide any supporting documentation, such as mortgage documents or a purchase and sale agreement, to assist in establishing the value of the investment of the property or when the Landlord took possession of the Unit.
- [15] The Landlord noted on the Statement that the value of investment in the property was \$538,580.00. The Representative stated that this included the purchase price (\$510,000.00), the cost to install solar panels (\$26,100.00) and the cost to install heat pumps (\$2,480.00).
- [16] As the solar panels and the heat pumps have not yet been installed, I will not include these in the value of the property.
- [17] I have deducted the mortgage of \$425,000.00 from the purchase price of \$510,000.00 to calculate the property’s value. This mortgage deduction is necessary to normalize the treatment of landlords with varying amounts of loaned funds for residential properties. I find the Landlord’s value of investment in the property to be **\$85,000.00**.
- [18] The Representative stated that the Unit’s rent was raised on February 1, 2025, by the 2025 allowable increase of 2.3%, from \$2,150.00 to \$2,200.00.

Factors

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

- [19] In order to determine the Application, I must consider the following factors in subsection 50(3) of 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.
- [20] 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 in rent within the first year in order to achieve a reasonable return on the landlord’s capital investment.
- [21] This factor is not relevant, as the Landlord has owed the Unit for more than one year.

Review and Weighing the Factors

- [22] The Statement discloses the rent history for the past year. The Landlord submitted a copy of a tenancy agreement, which shows that the current tenancy began on September 1, 2023. There is no evidence establishing that there was any rental income prior to September 1, 2023. The rent was raised on February 1, 2025, to \$2,200.00.
- [23] The Landlord only provided the operating expenses for the past year. There is no evidence establishing that the Landlord’s operating costs have increased in the three years preceding the date of the Application. The Landlord has claimed no completed capital expenditures.

- [24] 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."*
- [25] The circumstances were generally that the Commission would consider a recent purchase price, the tax-assessed value or an averaging of the tax assessed with a third-party appraisal. I will rely on the Landlord's recent purchase price minus the outstanding mortgage.
- [26] The Landlord is currently receiving a 12.8% return on capital investment. After the adjustments to the Statement, including the proposed additional rent increase and the 2025 annual allowable guideline, the Landlord's return on investment would be at 14.3%. This is above the Commission's recommended guideline.
- [27] The Tenant's written submission stated that she was unsure if she supported the Application or not.
- [28] After considering and weighing all the factors and evidence, I find that the evidence does not support a 5.0% rent increase for the Unit. The Application is denied.
- [29] The Landlord has already increased the Unit's rent according to the 2.3% annual guideline set by the Director for 2025. The Landlord shall not impose another rent increase for at least 12 months after the effective date of the most recent rent increase.
- [30] **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 rent for the Unit is \$2,200.00 as of February 1, 2025.
2. The Application is denied.

DATED at Charlottetown, Prince Edward Island, this 21st day of March, 2025.

(sgd.) Mitch King

Mitch King
Residential Tenancy Officer

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

	<u>Current</u>	<u>Proposed</u>
<u>Income</u>		
Rental Income at 100% (Line 1)	\$25,800.00	\$27,090.00
Vacancy Arrears/Losses (Line 2)	\$0.00	\$0.00
<u>Net Income before expenses (Line 3)</u>	<u>\$25,800.00</u>	<u>\$27,090.00</u>
<u>Expenses</u>		
1st Mortgage Interest (Line 4)	\$9,400.00	\$9,400.00
2nd Mortgage Interest (Line 5)	\$0.00	\$0.00
Fuel (Line 6)	\$0.00	\$0.00
Water & Sewer (Line 7)	\$850.00	\$850.00
Electricity (Line 8)	\$0.00	\$0.00
Insurance (Line 9)	\$1,200.00	\$1,200.00
Property Tax (Lines 10 and 11)	\$2,900.00	\$2,900.00
Management Fee (Line 12)	\$600.00	\$600.00
Maintenance Fee (Line 13)	\$0.00	\$0.00
Capital Expenditures (Line 14)	\$0.00	\$0.00
Other (Line 15)	\$0.00	\$0.00
Total Operating Expenses (Line 16)	<u>\$14,950.00</u>	<u>\$14,950.00</u>
Net Profit or (Loss) (Line 17)	\$10,850.00	\$12,140.00
Value of Investment in Property	\$85,000.00	\$85,000.00
Operating Income (Line 17)	\$10,850.00	\$12,140.00
Return on Investment (ROI)	12.8%	14.3%

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.