

INTRODUCTION

- [1] The Landlord seeks 5.3% rent increases for the Units effective April 1, 2025, 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] The Landlord and the Landlord's representative (the "Representative") have owned the Units for about 48 years.
- [4] On December 5, 2024 the Landlord filed with the Residential Tenancy Office (the "Rental Office") two *Form 9 Landlord Applications to Request Additional Rent Increases* (the "Applications") and two *Form 8 Notices of Annual Allowable Rent Increases*.
- [5] On December 17, 2024 the Rental Office emailed the parties notice of a teleconference hearing, scheduled for February 18, 2025. The hearing was later moved to February 19, 2025 due to a winter storm closure.
- [6] The Landlord provided the Rental Office with a *Form 10 Landlord Statement of Income and Expenses* (the "Statement") dated February 3, 2025.
- [7] On February 6, 2025 the Rental Office emailed the parties an evidence package (the "Evidence Package").
- [8] On February 19, 2025 the Representative, the Tenants, and a witness for one of the Tenants participated in the teleconference hearing. After the hearing a letter regarding the value of the Units was added to the evidence.

ISSUE

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

ANALYSIS

- [9] 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.
- [10] In 2023 and 2024 the Landlord installed attic insulation, basement insulation, new doors, heat pumps and a new roof.
- [11] The Landlord used a one-year period for considering the heat-pump expense based upon a review of Canada Revenue Agency documents. I find that a 15-year period is appropriate for the life expectancy of the heat pumps. The Landlord's total capital expenditures deduction is \$1,310.22.
- [12] I have considered the current 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."
- [13] The Landlord also provided a letter from a realtor dated February 29, 2024 valuing the Units. It is unnecessary for me to consider this letter as the proposed rent increases are supported by the tax assessed value. I note that opinion values for residential properties are typically based upon appraisals.

Factors**Does the evidence support 5.3% 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* (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.
- [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 *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 for about 48 years.

Review and Weighing the Factors

- [17] The Landlord has recently received above guideline rent increases for the Units.
- [18] The evidence establishes that the Landlord’s operating costs have increased because the Landlord has completed significant capital expenditures in 2023 and 2024.
- [19] 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.”*
- [20] The Landlord is not obtaining a reasonable return on investment based upon the current rents. The Landlord would be obtaining a 4.7% return based upon the proposed rents, which is below the 7.0% reasonable return on investment when the calculation is based upon the tax assessed value for the value of the Units.
- [21] I find that the factors when weighed together support 5.3% rent increases for the Units. In particular, the Landlord recently completed significant capital expenditures and the Landlord is not earning a reasonable return on investment. I note that there can be less expectation for rent increases to remain within the annual guidelines when a landlord has completed significant capital expenditures.
- [22] The Applications are allowed.
- [23] **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 April 1, 2025, the maximum allowable rent for the Units are increased by 5.3% as follows:
- Unit 1 - \$1,339.42
 - Unit 2 - \$1,141.45

DATED at Charlottetown, Prince Edward Island, this 24th day of March, 2025.

(sgd.) Andrew Cudmore

Andrew Cudmore
Residential Tenancy Officer

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

	Current Rent	5.3% Increase
Rental Income		
Income (Line 1)	\$28,272.00	\$29,770.44
Vacancy/Arrears (Line 2)	\$0.00	\$0.00
Net Income (Line 3)	\$28,272.00	\$29,770.44
 Expenses		
1st Mortgage Interest (Line 4)	\$0.00	\$0.00
2nd Mortgage Interest (Line 5)	\$0.00	\$0.00
Fuel (Line 6)	\$5,411.95	\$5,411.95
Water & Sewer (Line 7)	\$704.88	\$704.88
Electricity (Line 8)	\$830.64	\$830.64
Insurance (Line 9)	\$3,291.00	\$3,291.00
Property Taxes + IWMC (Lines 10 & 11)	\$4,125.41	\$4,125.41
Management Fee (Line 12)	\$1,413.60	\$1,488.52
Maintenance Fee (Line 13)	\$1,394.34	\$1,394.34
Capital Expenditures (Line 14)	\$1,310.22	\$1,310.22
Other (Line 15)	\$310.00	\$310.00
Total Expenses	\$18,792.04	\$18,866.96
 Annual Net Profit	 \$9,479.96	 \$10,903.48
Return on Investment		
Value of Investment	\$234,200.00	\$234,200.00
Net Profit	\$9,479.96	\$10,903.48
Return on Capital Investment	4.0%	4.7%

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.