

**INTRODUCTION**

- [1] The Landlord seeks 5.3% rent increases for the Units, 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 for the Units.

**BACKGROUND**

- [3] On March 28, 2025, the Landlord filed six *Form 9 Landlord Applications to Request Additional Rent Increase* (the “Applications”) with the Residential Tenancy Office (the “Rental Office”). The Applications and six *Form 8 Notices of Annual Allowable Rent Increase* were previously served to the Tenants on January 28, 2025.
- [4] The Units are six of the ten rental units in a building (the “Residential Property”).
- [5] On April 4, 2025, the Rental Office mailed the Tenants and emailed the Landlord notice of a teleconference hearing scheduled for May 8, 2025.
- [6] On April 22, 2025, the Landlord provided the Rental Office with a *Form 10 Landlord Statement of Income and Expenses* (the “Statement”).
- [7] On May 2, 2025, the Rental Office emailed the Landlord a 44-page PDF (the “Evidence Package”). The Tenants stated they did not want a copy of the Evidence Package.
- [8] On May 8, 2025, the Representative participated in a teleconference hearing. I telephoned a Tenant who previously indicated that she wanted to participate in the hearing. I left a voicemail message, but the Tenant did not participate in the hearing. The Representative stated that she received a copy of the Evidence Package and that all submitted evidence was included.

**ISSUE**

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

**ANALYSIS**

- [9] The Representative provided documentary evidence and testimony regarding the income, expenses and value of the Units. The Representative stated that the Statement was calculated using the income, expenses, and value of all ten units in the Residential Property. Therefore, I will adjust the Statement’s income to reflect only the Units in the Applications and 60% (six out of ten Units) of the total expenses and value of the Residential Property.
- [10] I have adjusted the Management Fee (Line 12).
- a. Under subsection 1(c) of the *Residential Tenancy Regulations* (the “Regulations”), management fees are capped at 5.0% of the gross rental income and are adjusted to reflect this cap.
- [11] I have adjusted the Capital Expenditures (Line 14), as the Landlord recently added a new roof to the Residential Property. This expense was not included in the Year 1 expenses.
- [12] The adjusted Statement of this decision is detailed in Appendix “A”.

**Factors****Does the evidence support 5.3% rent increases for the Units?**

- [13] 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.
- [14] 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 in rent within the first year in order to achieve a reasonable return on the landlord’s capital investment.
- [15] This factor is not relevant, as the Landlord has owned the Residential Property since 2010.

**Review and Weighing the Factors**

- [16] The Statement discloses the rent history for the past three years. The Landlord increased the rent by 6.0% in 2024 under Order LD24-060.
- [17] The Landlord provided the operating expenses for the past three years. Some of the Landlord’s expenses, such as property taxes and management fees, have increased in the three years preceding the date of the Applications. The Landlord has claimed \$58,321.39 in capital expenditures on the Statement.
- [18] When determining the Landlord’s return on investment (“ROI”), in Order LR24-27, the Island Regulatory and Appeals Commission (the “Commission”) commented:
- 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.*
- [19] The Landlord built the Residential Property in 2010 for \$803,798.39 and recently added a new roof for \$58,321.59. The build price plus capital expenditures would equal 60% of this value for the Units, which is \$517,271.99. However, the Landlord built the Residential Property in 2010, and I would not consider this to be a “recent” purchase/build price.
- [20] The tax assessed value of the Residential Property is \$1,250,100.00, and 60% of this would be \$750,060.00 for the Units. Therefore, I will rely on the tax-assessed value of the Units to determine the Landlord’s ROI.
- [21] When using \$750,060.00 as the value of the Units, the Landlord’s ROI is currently 1.6%. After the adjustments to the Statement, including the proposed additional rent increase and the 2025 annual allowable guideline, the Landlord’s ROI would be 2.0%. I find that this is below what the Commission considers an appropriate ROI.

- [22] In the alternative, if I were to use the build price plus capital expenditures of \$517,271.99, the Landlord would currently be making an ROI of 2.3%. With the additional rent increase and the 2025 above allowable guideline, the Landlord's ROI would be 2.9%, which is still below what the Commission considers appropriate.
- [23] No Tenants participated in the hearing or submitted any evidence.
- [24] After considering and weighing all the factors and evidence, I find that the evidence does support 5.3% rent increases for the Units. The Applications are allowed.
- [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. The maximum allowable rent for the Units is as follows:

<b>Unit</b>	<b>Rent</b>	<b>Effective Date</b>
2	\$874.00	July 1, 2025
3	\$874.00	July 1, 2025
5	\$874.00	July 1, 2025
7	\$884.00	July 1, 2025
9	\$874.00	July 1, 2025
10	\$874.00	July 1, 2025

**DATED** at Charlottetown, Prince Edward Island, this 2nd day of June, 2025.

(sgd.) Mitch King

**Mitch King**  
**Residential Tenancy Officer**

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

	<u><b>Current</b></u>	<u><b>Proposal</b></u>	<u><b>Allowed (5.3%)</b></u>
<b><u>Income</u></b>			
Rental Income at 100% (Line 1)	\$59,880.00	\$63,048.00	\$63,048.00
Vacancy Arrears/Losses (Line 2)	\$0.00	\$0.00	\$0.00
<b><u>Net Income before expenses (Line 3)</u></b>	<b><u>\$59,880.00</u></b>	<b><u>\$63,048.00</u></b>	<b><u>\$63,048.00</u></b>
<b><u>Expenses</u></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)	\$7,031.53	\$7,031.53	\$7,031.53
Water & Sewer (Line 7)	\$1,208.42	\$1,208.42	\$1,208.42
Electricity (Line 8)	\$1,259.47	\$1,259.47	\$1,259.47
Insurance (Line 9)	\$5,272.80	\$5,272.80	\$5,272.80
Property Tax (Provincial) (Line 10)	\$11,722.57	\$11,722.57	\$11,722.57
Property Tax (Municipal) (Line 11)	\$0.00	\$0.00	\$0.00
Management Fee (Line 12)	\$2,994.00	\$3,152.40	\$3,152.40
Maintenance Fee (Line 13)	\$11,853.83	\$11,853.83	\$11,853.83
Capital Expenditures (Line 14)	\$1,399.72	\$1,399.72	\$1,399.72
Other (Line 15)	\$5,295.37	\$5,295.37	\$5,295.37
<b><u>Total Operating Expenses (Line 16)</u></b>	<b><u>\$48,037.71</u></b>	<b><u>\$48,196.11</u></b>	<b><u>\$48,196.11</u></b>
<b>Net Profit or (Loss) (Line 17)</b>	<b>\$11,842.29</b>	<b>\$14,851.89</b>	<b>\$14,851.89</b>
<b>Value of Investment in Property</b>	<b>\$750,060.00</b>	<b>\$750,060.00</b>	<b>\$750,060.00</b>
<b>Operating Income (Line 17)</b>	<b>\$11,842.29</b>	<b>\$14,851.89</b>	<b>\$14,851.89</b>
<b>Return on Investment (ROI)</b>	<b>1.6%</b>	<b>2.0%</b>	<b>2.0%</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.