

INTRODUCTION

- [1] This decision determines an application filed with the Residential Tenancy Office (the “Rental Office”) under the *Residential Tenancy Act* (the “Act”).
- [2] The Landlords seek a 5.27% rent increase for the Unit, which is an additional 2.97% above the 2025 annual allowable guideline of 2.3%.

DISPOSITION

- [3] I find that the evidence supports a 5.27% rent increase for the Unit.

BACKGROUND

- [4] The Unit is located in a four-unit building (the “Residential Property”) that the Landlords purchased in 2014.
- [5] On July 7, 2025, the Landlords filed a *Form 9 Landlord Application to Request Additional Rent Increase* (the “Application”) with the Rental Office. The Landlords also provided the Rental Office with a *Form 8 Notice of Annual Allowable Rent Increase*. The Landlords previously emailed these documents to the Tenant on July 1, 2025.
- [6] The Application requests an additional rent increase as follows:

Current Rent	Proposed Rent
\$1,139.50	\$1,199.50

- [7] On August 12, 2025, the Rental Office sent the parties notice of a teleconference hearing scheduled for September 16, 2025.
- [8] On August 27, 2025, the Landlords emailed the Rental Office a *Form 10 Landlord Statement of Income and Expenses* (the “Statement”).
- [9] On September 11, 2025, the Rental Office emailed the parties a 63-page PDF evidence package.
- [10] On September 16, 2025, the Landlords’ representative (the “Representative”) joined the teleconference hearing. I telephoned the Tenant and was advised that the Tenant would not be participating in the teleconference hearing. The Representative provided additional property tax evidence after the hearing.

ISSUE

- A. Does the evidence support a 5.27% rent increase for the Unit?

ANALYSIS**Additional Rent Increase – Factors to Consider**

- [11] 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 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.

[12] 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 Regulations state 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 Landlords’ capital investment. This factor is not relevant because the Landlords have owned the Residential Property since 2014.

Clause 50(3)(a) – Rent History for the Affected Rental Unit

[13] Clause 50(3)(a) requires that I consider the rent history for the affected Unit in the three years preceding the date of the Application.

[14] The Landlords were permitted to increase the Unit’s rent by 3.00% on August 1, 2023 and by 5.97% on September 1, 2024, in accordance with previous Rental Office Orders. Currently, the Landlords are requesting a 5.27% rent increase, which would be the third rent increase in three years above the annual allowable percentage.

[15] I find that this factor alone weighs against the Landlords’ request for the proposed increase.

Clause 50(3)(b) – Change in Operating Expenses and Capital Expenditures

[16] Clause 50(3)(b) requires that I consider a change in operating expenses and capital expenditures in the three years preceding the date of the Application that I consider to be relevant and reasonable.

[17] The Landlords provided the operating expenses for the past three years in the Statement. Although some of the Landlords’ expenses have increased, such as property taxes, other expenses have remained unchanged, and the Landlords’ fuel cost decreased. Overall there has not been a significant change in the Landlords’ operating expenses.

[18] Other than the adjustment below, I accept the evidence submitted by the Landlords in respect to the Statement.

[19] I find that this factor alone weighs against the Landlords’ request for the proposed increase.

Adjustments to the Statement

[20] The Landlords’ property management fee is reduced in accordance with subsection 1(c) of the Regulations. The management fee is limited to “*the actual cost of the management fee or 5 per cent of the gross rental income for the previous year, whichever is the lesser.*”

[21] The Statement is updated with the Units’ 2025 property tax amounts and the Island Waste Management fee moved from line 15 to line 10.

[22] The adjusted Statement is detailed in Appendix “A” of this decision.

Clause 50(3)(c) – Reasonable Return on the Landlords’ Capital Investment

[23] Clause 50(3)(c) requires that I consider the Landlords’ expectation to have a reasonable return on the its capital investment.

[24] In order to determine return on investment (“ROI”), I must first determine the value of the Landlords’ capital investment.

Value of Capital Investment

- [25] In Order LR25-31, the Island Regulatory and Appeals Commission (the “Commission”) commented on the method and evidence required to determine the value of a landlord’s capital investment as follows:

[37] In our opinion, the goal when determining the value of the landlord’s investment is to arrive at a valuation that is both accurate and reasonable in the circumstances. A key factor in that determination is for the Commission to interpret what is meant by the term “capital investment”, as used in clause 50(3)(c). In our opinion, a capital investment is just that – the landlord’s investment in capital, which includes both the land and building (i.e. real property).

[38] ... valuing a landlord’s capital investment will be on a case by case basis, with the goal being to ascertain the actual fair market value of the capital asset as accurately as reasonably possible based upon the evidence brought forward to the hearing officer or panel.

[50] In summary, the Commission finds that the value of capital investment used to calculate a landlord’s return on investment should be the full value of the landlord’s capital investment (being the real property) and should not be subject to a deduction of the outstanding mortgage principal.

- [26] In 2014 the Landlords purchased the Residential Property for \$455,000.00. As the Unit is one-quarter of the Residential Property, the Unit’s purchase price is calculated to be \$113,750.00.
- [27] As stated in Order LR25-31, valuing a landlord’s capital investment will be done on a case-by-case basis. In this case, I base the value upon the 2014 purchase price. I note that this is a conservative value of the Unit as the purchase occurred over a decade ago.

Reasonable Return on Investment

- [28] In Order LR25-31, the Commission commented regarding a landlord’s ROI:

[53] ... Where we have accepted that mortgage principal should not be deducted from the value of the landlord’s investment, we recognize that there should be some kind of “normalizing” in respect of how landlords choose to fund their investments. Therefore, we find that when calculating a landlord’s ROI, the financing costs of interest on mortgages registered against the property should not be included in the “annual operating expenses”.

[60] ... based on previous Commission Orders, landlords are entitled to a ROI of at least 4% and, on a case by case basis, landlords may justify that a ROI of up to 7% is reasonable, based on the specific circumstances.

- [29] Based upon a value of \$113,750.00 for the Unit, the Landlords’ ROI is currently 5.1%.
- [30] After including the proposed additional rent increase and the 2025 annual allowable rent increase, the Landlords’ ROI would increase to 5.7%.
- [31] This is within the 4.0% to 7.0% range for a reasonable ROI.
- [32] As the value of the Unit is a conservative amount based upon the purchase price from over a decade ago, I find that a return on investment of 5.7% is supported. When conservative values are used, a reasonable ROI is closer to the 7.0% end of the range.
- [33] I find that this factor alone weighs in favour of the Landlords’ request for the proposed increase.

Clause 50(3)(d) – Expectation of Tenants Regarding the Annual Guideline

- [34] Clause 50(3)(d) requires that I consider the Tenant's expectation that rent increases will remain within the annual guideline. In 2025, the annual guideline increase is 2.3%.
- [35] The Tenant did not participate in the teleconference hearing. I find that this factor alone is neutral regarding the Landlords' request for the proposed increase.

CONCLUSION

- [36] After considering and weighing all the factors and evidence, I find that the evidence supports a 5.27% rent increase for the Unit and the Application is allowed.
- [37] The Landlords are operating below a reasonable ROI because the value of the Unit is a conservative amount and the higher end of the 4.0% to 7.0% range is supported.
- [38] The Landlords have received previous rent increases above the allowable percentage and the Landlords' expenses have remained relatively stable. However, after reviewing the earlier decisions it appears to me that a phased in rent increase over multiple years would have been supported in these earlier decisions had the Landlords previously requested it. I note that in these earlier decisions conservative values were also used for the Unit and the ROIs were on the lower end of the 4.0% to 7.0% range. In other words, the proposed 2025 additional rent increase is supported by the financial information in the earlier decisions.
- [39] By following the phased-in process, landlords and tenants can reduce the number of times that they file applications, submit documentary evidence, and participate in Rental Office hearings.
- [40] **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 November 1, 2025, the Unit's maximum allowable monthly rent is \$1,199.50.

DATED at Charlottetown, Prince Edward Island, this 17th day of October, 2025.

(sgd.) Andrew Cudmore

Andrew Cudmore
Residential Tenancy Officer

APPENDIX "A"		
Revised Statement of Income & Expenses (Form 10)		
Rental Income	Current Rent	5.27% Increase
Income (Line 1)	\$13,674.00	\$14,394.00
Vacancy/Arrears (Line 2)	\$0.00	\$0.00
Net Income (Line 3)	\$13,674.00	\$14,394.00
Expenses		
1st Mortgage Interest (Line 4)	\$0.00	\$0.00
2nd Mortgage Interest (Line 5)	\$0.00	\$0.00
Fuel (Line 6)	\$2,329.52	\$2,329.52
Water & Sewer (Line 7)	\$266.77	\$266.77
Electricity (Line 8)	\$0.00	\$0.00
Insurance (Line 9)	\$460.50	\$460.50
Property Tax (Provincial) + IWMC (Line 10)	\$1,471.82	\$1,471.82
Property Tax (Municipal) (Line 11)	\$1,243.29	\$1,243.29
Management Fee (Line 12)	\$683.70	\$719.70
Maintenance Fee (Line 13)	\$627.42	\$627.42
Capital Expenditures (Line 14)	\$287.50	\$287.50
Other (Line 15)	\$510.31	\$510.31
Total Expenses	\$7,880.83	\$7,916.83
Annual Net Profit	\$5,793.17	\$6,477.17
Return on Investment		
Value of Investment	\$113,750.00	\$113,750.00
Net Profit	\$5,793.17	\$6,477.17
Return on Capital Investment	5.1%	5.7%

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.