

INTRODUCTION

- [1] This decision determines two applications filed by the Landlord with the Residential Tenancy Office (the "Rental Office") under the *Residential Tenancy Act*, cap. R-13.11 (the "Act").
- [2] The Landlord seeks 5.0% rent increases for the Units, which is an additional 3.0% above the 2026 annual allowable guideline of 2.0%.

DISPOSITION

- [3] The Landlord's evidence supports 5.0% rent increases for the Units effective January 1, 2026.

BACKGROUND

- [4] The Units are three-bedroom, one-bathroom halves of a side-by-side duplex, owned by the Landlord since 2004.
- [5] On October 1, 2025 the Landlord served the Tenants with two *Form 8 Tenant Notice of Annual Allowable Rent Increases* (the "Notices").
- [6] On October 1, 2025 the Landlord filed two *Form 9 Landlord Application to Request Additional Rent Increases* (the "Applications") with the Rental Office. The Landlord served the Applications on the Tenants with the Notices.
- [7] The Landlord requests the following rent increases:

Unit	Current Rent	Proposed Rent
208	\$1,279.00	\$1,343.00
210	\$1,421.00	\$1,492.00

- [8] On October 14, 2025 the Rental Office emailed the parties notice of a teleconference hearing scheduled for November 27, 2025.
- [9] On November 20, 2025 the Rental Office emailed the parties a 113-page PDF evidence package. Some of the Tenants chose not to receive the evidence package.
- [10] Included in the evidence package were two *Form 10 Landlord Statement of Income and Expenses* (the "Statements").
- [11] On November 27, 2025 the Landlord participated in the teleconference hearing. The Landlord confirmed that no documents were missing from the evidence package.
- [12] After the hearing concluded, the Landlord submitted one additional document into evidence. The additional evidence was provided to the Tenants and the Tenants did not provide a response to the Landlord's additional evidence.

ISSUE

- A. Does the evidence support additional rent increases above the 2026 annual allowable guideline?

ANALYSIS

Additional Rent Increases – Factors to Consider

- [13] The Landlord has the onus of proving, on a balance of probabilities, that an additional rent increase is supported by the evidence. This means that there must be sufficiently clear and convincing evidence to support the Landlord's additional rent increase request.
- [14] In order to determine the Applications, I must consider the following factors in subsection 50(3) of the *Act* and section 4 of the *Residential Tenancy Regulations* (the "*Regulations*"), 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 and 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 *Regulations* state that the purchase of the Unit should not require an increase in rent within the first year in order to achieve a reasonable return on the Landlord's capital investment. I find that this factor is not relevant to the Applications because the Landlord purchased the Units in 2004.

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

- [16] This factor requires that I consider the rent history for the affected Units in the three years preceding the date of the Application. In this case, the three preceding years are: 2024, 2023 and 2022.
- [17] The Landlord stated that the last rent increase for the Units was an additional rent increase effective January 1, 2025 approved by the Rental Office. The Units had another additional rent increase effective January 1, 2024 approved by the Rental Office and another additional rent increase approved by the Rental Office in 2022.

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

- [18] This factor requires that I consider a change in operating expenses and capital expenditures in the three years preceding the date of the Applications that I consider to be relevant and reasonable.
- [19] The Landlord provided the operating expenses for the past three years in the Statements. Some of the operating expenses have increased. Particularly, the property tax and the interest on the Landlord's line of credit used for the renovations of the Units have increased.
- [20] The Landlord stated that the property management fee is adjusted to represent 5.0% of gross rental income because the actual cost is greater than the 5.0% limit.
- [21] The Landlord completed significant renovations and capital expenditures in 2022/23. The renovations and capital expenditures included steel roof replacement, kitchen tear-out, bathroom, plumbing, mudroom and basement renovations, new flooring, new countertops, and fence repairs. One of the Units total cost was \$76,125.79 with an annual write-off of \$4,631.00. The other Unit's total cost was \$64,464.67 for an annual write-off of \$3,799.00.

Adjustments to the Statements

- [22] The adjusted Statements are detailed in Appendix “A” and “B” of this Order, which are based primarily upon the Landlord’s evidence. The rental income is based upon the 2024 year and the proposed rental incomes is based upon the 2026 proposed rental incomes.
- [23] The expenses are based upon the 2024 established expenses and the proposed expenses are based upon the best evidence of the most recent twelve-month period in the Statements.

Insurance

- [24] The Landlord provided additional evidence to establish that the insurance amount for 2025 for the Units is \$398.00 each.

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

- [25] This factor requires that I consider the Landlord’s expectation to have a reasonable return on her capital investment.
- [26] In order to determine return on investment (“ROI”), I must first determine the value of the Landlord’s capital investment.

Value of Capital Investment

- [27] 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.

- [28] The Landlord provided an appraisal of the Units completed on July 17, 2022. The total value of the Units in the appraisal is \$540,000.00 (\$270,000.00 each).
- [29] 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 have used the 2022 appraisal to determine the value of the Landlord’s capital investment. This evidence represents the best available and accurate representation the value of the Landlord’s capital investment.

Reasonable Return on Investment

[30] 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.

[31] Based upon a value of \$270,000.00 for each of the Units, the Landlord's ROI is currently 2.1% and 2.9%.

[32] After including the proposed rent increases, the Landlord's ROI would increase to 2.6% and 3.5%.

[33] These ROIs are below the 4.0% to 7.0% range of a reasonable ROI.

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

[34] This factor requires that I consider the Tenants' expectation that rent increases will remain within the annual guideline. In 2026, the annual guideline is 2.0%.

[35] The Units were approved by the Rental Office for additional rent increases effective January 1, 2025, January 1, 2024 and received an approval for an additional rent increase in 2022.

[36] The Tenants did not participate in the hearing and did not submit evidence of their expectations in this case.

CONCLUSION

[37] After consider and weighing all the factors and evidence, I find that the evidence supports a 5.0% rent increase for the Units effective January 1, 2026. Accordingly, the Applications are allowed.

[38] The factor which weights against the Applications is that the Landlord has received three additional rent increases in four years. With approval, it will be four additional rent increases in five years. Despite the Tenants' omission of evidence on this point, it is reasonable to conclude that a tenant would not expect this many additional rent increases.

[39] However, I also find that the Landlord's operating costs have steadily increased over the past three years. Further, the Landlord has invested significant capital into the Units' renovations. Even with approval of the additional rent increases, the Landlord's ROI will be below the 4.0% reasonable range.

[40] Had the Landlord requested additional rent increases be phased-in over a period of time in one of the previous applications she likely would have been approved.

[41] **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 January 1, 2026, the Units' maximum allowable monthly rent are as follows:

Unit	Rent
208	\$1,343.00
210	\$1,492.00

DATED at Charlottetown, Prince Edward Island, this 19th day of December, 2025.

(sgd.) Cody Burke

Cody Burke
Residential Tenancy Officer

APPENDIX "A"			
Revised Statement of Income & Expenses (Form 10)			
	Current ROI	Proposed ROI	Established Expenses
Income			
Rental Income at 100% (Line 1)	\$14,580.00	\$16,116.00	\$14,580.00
Other income (Line 2)			
Vacancy Arrears/Losses (Line 3)			
Net Income before expenses (Line 4)	\$14,580.00	\$16,116.00	\$14,580.00
Expenses			
1st Mortgage Interest (Line 5)			\$6,288.00
2nd Mortgage Interest (Line 6)			
Fuel (Line 7)			
Water & Sewer (Line 8)	\$359.00	\$359.00	\$359.00
Electricity (Line 9)			
Insurance (Line 10)	\$384.00	\$398.00	\$398.00
Property Tax (Provincial) (Line 11)	\$2,401.00	\$2,401.00	\$2,401.00
Property Tax (Municipal) (Line 12)			
Island Waste Management Fees (Line 13)			
Property Management Fees (Line 14)	\$720.00	\$806.00	\$720.00
Maintenance Fee (Line 15)	\$80.00	\$80.00	\$80.00
Capital Expenditures (Line 16)	\$4,631.00	\$4,631.00	\$4,631.00
Other (Line 17)	\$436.00	\$436.00	\$436.00
Total Operating Expenses (Line 18)	\$9,011.00	\$9,111.00	\$15,313.00
Net Profit or (Loss) (Line 19)	\$5,569.00	\$7,005.00	(\$733.00)
Value of Investment in Property	\$270,000.00	\$270,000.00	
Operating Income (Line 17)	\$5,569.00	\$7,005.00	
Return on Investment (ROI)	2.1%	2.6%	

APPENDIX "B"			
Revised Statement of Income & Expenses (Form 10)			
	Current ROI	Proposed ROI	Established Expenses
Income			
Rental Income at 100% (Line 1)	\$16,200.00	\$17,904.00	\$16,200.00
Other income (Line 2)			
Vacancy Arrears/Losses (Line 3)			
Net Income before expenses (Line 4)	\$16,200.00	\$17,904.00	\$16,200.00
Expenses			
1st Mortgage Interest (Line 5)			\$1,956.00
2nd Mortgage Interest (Line 6)			
Fuel (Line 7)			
Water & Sewer (Line 8)	\$359.00	\$359.00	\$359.00
Electricity (Line 9)			
Insurance (Line 10)	\$384.00	\$398.00	\$398.00
Property Tax (Provincial) (Line 11)	\$2,401.00	\$2,401.00	\$2,401.00
Property Tax (Municipal) (Line 12)			
Island Waste Management Fees (Line 13)			
Property Management Fees (Line 14)	\$810.00	\$895.00	\$810.00
Maintenance Fee (Line 15)	\$98.00	\$98.00	\$98.00
Capital Expenditures (Line 16)	\$3,799.00	\$3,799.00	\$3,799.00
Other (Line 17)	\$436.00	\$436.00	\$436.00
Total Operating Expenses (Line 18)	\$8,287.00	\$8,386.00	\$10,257.00
Net Profit or (Loss) (Line 19)	\$7,913.00	\$9,518.00	\$5,943.00
Value of Investment in Property	\$270,000.00	\$270,000.00	
Operating Income (Line 17)	\$7,913.00	\$9,518.00	
Return on Investment (ROI)	2.9%	3.5%	

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.