

INTRODUCTION

- [1] This decision determines sixteen 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 apartment buildings with sixteen total apartments. The first building was erected in 2012, which consists of six two-bedroom, one-bathroom apartments. The second building was erected in 2014, which consists of six two-bedroom, one-bathroom apartments. The third building was erected in 2015, which consist of four two-bedroom, one-bathroom apartments.
- [5] On October 16, 2025 the Landlord’s representative (the “Representative”) served the Tenants 16 *Form 8 Tenant Notice of Annual Allowable Rent Increases* (the “Notices”).
- [6] On October 16, 2025 the Representative filed 16 *Form 9 Landlord Application to Request Additional Rent Increases* (the “Applications”) with the Rental Office. The Representative served the Applications to the Tenants with the Notices.
- [7] The Landlord requests 5.0% rent increases for the Units, effective January 1, 2026.
- [8] On November 10, 2025 the Rental Office emailed the parties notice of a teleconference hearing scheduled for December 16, 2025. The Representative served the notice of hearing to the Tenants who do not have an email address.
- [9] On December 10, 2025 the Rental Office emailed the parties a 105-page PDF evidence package. Some of the Tenants did not want a copy of the evidence package. The Representative served the evidence package to the Tenants who wanted the evidence package but did not have an email address.
- [10] Included in the evidence package was a *Form 10 Landlord Statement of Income and Expenses* (the “Statement”).
- [11] On December 16, 2025 the Representative participated in the teleconference hearing. The Representative confirmed that no documents were missing from the evidence package.
- [12] After the hearing the Representative submitted two additional documents into evidence. The additional evidence was provided to the Tenants who requested the evidence package and the Representative was asked to provide a copy of the additional evidence to the Tenants who did not have an email address.
- [13] The Tenants did not submit any evidence or responses to the additional evidence.

ISSUE

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

ANALYSIS

Additional Rent Increases – Factors to Consider

- [14] 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.
- [15] 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 set out as follows:
 1. The rent history for the affected Units 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 Applications 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.
- [16] 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 Units should not require increases 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 and built the Units in 2012, 2014 and 2015.

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

- [17] This factor requires that I consider the rent history for the affected Units in the three years preceding the date of the Applications. In this case, the three preceding years are 2025, 2024 and 2023.
- [18] The Landlord stated that the last rent increase was on January 1, 2025. The increase was 2.3% which is the 2025 annual allowable guideline. The Landlord stated that there was no rent increase for the Units in 2024.
- [19] The Landlord stated that the Units received an additional rent increase in 2023 approved by the Rental Office. On April 5, 2023 the Rental Office issued Order LD23-129 allowing the Units an additional rent increase effective April 15, 2023 under the *Rental of Residential Property Act*. The rent increases were a 4.5% rent increase for all the Units except for Unit 4, which did not receive a rent increase and Unit 12, which received a 9.0% rent increase.

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

- [20] 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.
- [21] The Landlord provided the operating expenses for the past three years in the Statement. Some of the operating expenses have increased. Particularly, the water and sewerage, electricity, insurance and property tax. The Landlord merged the Units' three mortgages into one mortgage. The Landlord stated that while this processes was being completed, the interest rate was high which caused the increased interest expense in 2024.

- [22] The Landlord stated that the electricity expense is based upon one Unit which includes electricity in its rent. The Landlord stated that the property management duties are completed by one of the Tenants in the Units. The Landlord stated that it costs \$130.00 per month.
- [23] The Landlord stated that the maintenance expense was based upon drive way, appliance and floor repairs, and general repairs in the Units.
- [24] The Landlord stated that the capital expenditures for the Units included the depreciation of the Units, repairing the driveway in 2024, replacing appliances between 2023 and 2024 and purchasing a new snow blower in 2021 or 2022.
- [25] The Landlord stated that the other expenses includes snow removal, lawn care and \$15,000.00 in employment income.

Adjustments to the Statements

- [26] The adjusted Statement is detailed in Appendix "A" of this Order, which is based primarily upon the Landlord's evidence. The rental income is based upon the 2025 year and the proposed rental income is based upon the 2026 proposed rental incomes.
- [27] The expenses are based upon the 2025 established expenses and the proposed expenses are based upon the best evidence of the most recent twelve-month period in the Statement.

Capital Expenditures

- [28] The Statement provides an annual write-off of \$44,348.00. Included in the Landlord's capital expenditures was the depreciation of the Units with a 40-year life expectancy. However, section 5 of the *Regulations* state:

For the purposes of clause 50(3)(b) of the Act,

- (a) *"capital expenditures" includes expenditures for replacement of plumbing, electrical or heating systems or appliances, and major structural repairs; and*
- (b) *"operating costs" excludes depreciation costs, but includes the basic expenditures necessary for the operation of the building such as fuel, water, electricity, insurance, taxes, maintenance, management fees, staff wages or the value of a rental unit made available of wages, and financing costs of interest on mortgages registered against the property.*

- [29] Therefore, I adjust the Statement's capital expenditures to include the following based upon the evidence:

Item	Year Completed	Cost	Life Expectancy	Yearly Expense
Driveway	2024	\$6,279.00	10 years	\$627.90
Appliances	2023/24	\$4,600.00	20 years	\$230.00
Snow blower	2021/22	\$3,000.00	20 years	\$150.00
			Total	\$1,007.90

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

- [30] This factor requires that I consider the Landlord's expectation to have a reasonable return on its capital investment.
- [31] In order to determine return on investment ("ROI"), I must first determine the value of the Landlord's capital investment.

Value of Capital Investment

[32] 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.

[33] The Landlord provided an appraisal of the Units dated December 19, 2024. The appraisal valued the Units at \$2,600,000.00.

[34] 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 2024 appraisal to determine the value of the Landlord’s capital investment.

Reasonable Return on Investment

[35] 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.

[36] Based upon a value of \$2,600,000.00 for the Units, the Landlord’s ROI is currently 3.4%.

[37] After including the proposed rent increases, the Landlord’s ROI would increase to 3.8%.

[38] This ROI is below the 4.0% to 7.0% range of a reasonable ROI.

[39] I find that the 2024 appraisal provides an accurate fair-market value of the Units, supported by the evidence. I find that the Landlord’s ROI and proposed ROI is below the 4.0% range of a reasonable ROI.

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

- [40] This factor requires that I consider the Tenants' expectation that rent increases will remain within the annual guideline. In 2026, the annual guideline increase is 2.0%.
- [41] The Tenants received a rent increase in January 2025, which was the annual allowable set for 2025. The Tenants did not receive a rent increase in 2024. However, in 2023, almost all the Tenants received an additional rent increased approved by the Rental Office.
- [42] The Tenants did not participate in the hearing and did not submit evidence which stated their expectations in this case.

CONCLUSION

- [43] After considering 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.
- [44] The Landlord's operating expenses have mostly increased over the past three years. The Landlord has spent capital on maintenance and capital investments such as driveway, appliances and snow blower replacements. Further, the Landlord has not received a rent increase above the annual allowable guideline since April 2023. The Landlord's ROI currently and with a 5.0% rent increase for the Units is below the 4.0% to 7.0% range. As a result, I find that the factors and evidence support an additional rent increase.
- [45] **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 is set out in Appendix "B" of this Order.

DATED at Charlottetown, Prince Edward Island, this 22nd 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)	\$193,338.00	\$202,980.00	
Other income (Line 2)			
Vacancy Arrears/Losses (Line 3)			
Net Income before expenses (Line 4)	\$193,338.00	\$202,980.00	
Expenses			
1st Mortgage Interest (Line 5)			\$45,000.00
2nd Mortgage Interest (Line 6)			
Fuel (Line 7)			
Water & Sewer (Line 8)	\$8,885.00	\$9,150.00	\$8,885.00
Electricity (Line 9)	\$1,559.00	\$1,559.00	\$1,559.00
Insurance (Line 10)	\$20,136.00	\$20,136.00	\$20,136.00
Property Tax (Provincial) (Line 11)	\$17,838.00	\$17,838.00	\$17,838.00
Property Tax (Municipal) (Line 12)	\$10,697.00	\$10,697.00	\$10,697.00
Island Waste Management Fees (Line 13)	\$3,504.00	\$3,504.00	\$3,504.00
Property Management Fees (Line 14)	\$1,336.00	\$1,336.00	\$1,336.00
Maintenance Fee (Line 15)	\$21,250.00	\$21,250.00	\$21,250.00
Capital Expenditures (Line 16)	\$1,007.90	\$1,007.90	\$1,007.90
Other (Line 17)	\$18,650.00	\$18,650.00	\$18,650.00
Total Operating Expenses (Line 18)	\$104,862.90	\$105,127.90	
Net Profit or (Loss) (Line 19)	\$88,475.10	\$97,852.10	
Value of Investment in Property	\$2,600,000.00	\$2,600,000.00	
Operating Income (Line 17)	\$88,475.10	\$97,852.10	
Return on Investment (ROI)	3.4%	3.8%	

APPENDIX "B"	
Unit	Rent Amount
1	\$ 1,067.00
2	\$ 1,038.00
3	\$ 1,011.00
4	\$ 1,011.00
5	\$ 1,011.00
6	\$ 1,067.00
7	\$ 1,079.00
8	\$ 1,079.00
9	\$ 1,024.00
10	\$ 1,079.00
11	\$ 1,038.00
12	\$ 1,263.00
14	\$ 996.00
15	\$ 1,021.00
16	\$ 1,052.00
17	\$ 1,079.00

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.