

INTRODUCTION

- [1] This decision determines an application filed by the Landlords with the Residential Tenancy Office (the "Rental Office") under the *Residential Tenancy Act*, cap. R-13.11 (the "Act").
- [2] The Landlord seeks a phased in 39% rent increase, which includes an additional 3.0% above the 2026 annual allowable guideline of 2.0%.

DISPOSITION

- [3] The evidence supports a phased in 39% rent increase, as detailed below.

BACKGROUND

- [4] The Unit is a three-bedroom, two-bathroom, single-family home, owned by the Landlords since January 2003.
- [5] On November 10, 2025 the Landlords served the Tenants with a *Form 8 Tenant Notice of Annual Allowable Rent Increase* (the "Notice").
- [6] On November 12, 2025 the Landlords filed a *Form 9 Landlord Application to Request Additional Rent Increase* (the "Application") with the Rental Office. The Landlords served the Tenants with the Application.
- [7] The Landlords request the following rent increase:

Unit	Current Rent	Proposed 2026 Rent	Proposed 39% Rent
3	\$1,580.00	\$1,659.00	\$2,196.20

- [8] On December 3, 2025 the Landlords amended the Application and served the Tenants.
- [9] On December 10, 2025 the Rental Office mailed and emailed the parties notice of a teleconference hearing scheduled for February 10, 2026.
- [10] On January 30, 2026 the Rental Office emailed a TitanFile link to the parties, which included a 129-page PDF evidence package ("EP").
- [11] Included in the evidence package was a *Form 10 Landlord Statement of Income and Expenses* (the "Statement").
- [12] On February 10, 2026 one of the Landlords and the Tenants joined the teleconference hearing for determination of the Application. The parties confirmed that they received the evidence package. The Landlords confirmed that all documents submitted to the Rental Office was included in the evidence package. The Tenants submitted no evidence.

ISSUE

- A. Does the evidence support a phased in 39% rent increase for the Unit?

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

- [13] The Landlords have 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 Landlords' additional rent increase request.
- [14] In order to determine the Application, 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 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 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 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 increases in rent within the first year in order to achieve a reasonable return on the Landlords' capital investment. I find that this factor is not relevant to the Application because the Landlords purchased the Unit in 2003.

Clause 50(3)(a) – Rent history of the affected rental units

- [16] This factor requires that I consider the rent history for the affected Unit in the three years preceding the date of the Application. In this case, the three preceding years are 2025, 2024 and 2023.
- [17] 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 the rent also increased on January 1, 2024 by 3.0%, which is the 2024 annual allowable guideline.
- [18] The Landlord stated that the Unit has not received an additional rent increase in the past three years.

Clause 50(3)(b) – Change in operating expenses and capital expenditures

- [19] This factor 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.
- [20] The Landlords provided the operating expenses for the past three years in the Statement.
- [21] The Landlord stated that, due to the former tenant, the Unit needed significant repairs and renovations. The Landlord stated that the Unit was vacant from May to October 2025, which resulted in lost income. The Landlord stated that the former tenant was also in arrears, which resulted in the total loss of income of \$13,456.36.
- [22] The Landlord stated that 2025's expenses were significantly higher than an average year and is the reason for the request for an additional phased in rent increase. The Landlord stated that future expenses such as fuel, electricity and lawn care will be \$0.00.

- [23] The Landlord stated that the management fee is based upon 5.0% of the gross rental income. The Landlord stated that they do all the property management duties themselves.

Adjustments to the Statement

- [24] The adjusted Statement is detailed in Appendix "A" of this decision, which is based primarily upon the Landlords' evidence. The rental income is based upon the 2025 year and the proposed rental income is based upon the 2026 proposed rental income. A further calculation considering the Landlords' request for a phased in rent increase is also included.
- [25] The expenses are based upon the 2025 established expenses and the proposed expenses are based upon the best evidence and in some circumstances the averaging of expenses over the preceding three years in the Statement.

Maintenance expenses

- [26] The Statement provided maintenance expenses for the Unit in 2025, in the amount of \$37,588.89. The Landlords provided evidence including invoices, receipts and direct testimony related to the maintenance expenses. The Statement also included the maintenance expenses for the Unit in 2024, in the amount of \$978.94 and the maintenance expenses in 2023, in the amount of \$26.88.
- [27] The Landlord stated that the future maintenance expenses should be closer to the 2024 year.
- [28] The maintenance expenses in 2025 included removal and replacement of doors, windows, drywall, plumbing, electrical, floor and wall repairs, interior and exterior painting, garbage removal and cleaning. The Landlord stated that some of the work was completed by professional contractors and some of the work was completed by the Landlords.
- [29] The Landlord stated that the total amount of work completed by themselves totaled \$15,300.00 (\$50.00/hr. multiplied by 306 hours). The Landlords stated that total cost of travel was \$1,144.08 (\$0.72/km. multiplied by 1,589 km.).
- [30] Subsection 1(b) of the *Regulations* defines maintenance as:
- "maintenance" includes repairs to plumbing, electrical or heating systems, appliances, and minor structural repairs, but does not include capital expenditures or expenditures related to replacement of capital assets.*
- [31] Each of the claimed maintenance expense was supported by documentary evidence to corroborate the claimed amounts. The Tenants did not dispute the Landlords' maintenance expenses claimed. The Tenants further did not dispute the Landlords' requested additional phased in rent increase.
- [32] Therefore, I accept the evidence submitted by the Landlords in respect to their maintenance expense claims.
- [33] With consideration to the phased in request, I find it appropriate in these circumstances to adjust the maintenance expense line to reflect the expense over a period of time. The Landlords are seeking a total 37% additional rent increase above the annual allowable guideline. The fastest implementation of the Landlords' additional rent increase would be approximately six years. In this case, I find it reasonable to divide the Landlords' renovation and maintenance expenses over a six-year period, totalling \$6,264.82 (\$37,588.89 divided by 6 years).

Capital expenditures

- [34] The Statement provides an annual write-off of \$266.23. The capital expenditures include: a washer, dehumidifier and roofing and window replacement in the utility building. The work was completed between 2024 and 2025. The Landlords provided documentary evidence to corroborate the claimed amounts. I find that the Landlords' claimed capital expenditures are supported by the evidence.

Clause 50(3)(c) – Reasonable return on the Landlords' capital investment

- [35] This factor requires that I consider the Landlords' expectation to have a reasonable return on their capital investment.
- [36] In order to determine return on investment ("ROI"), I must first determine the value of the Landlords' capital investment.

Value of capital investment

- [37] 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.

- [38] The Landlords provided into evidence a written submission from their realtor. The written submission is dated November 7, 2025 and stated:

"To Whom it May Concern:
I have recently toured the Unit.
In my opinion, as a realtor for 39 years, the property is valued to be worth \$450,000.
If any further information is required, please contact me."

- [39] The Landlord stated that it was a reasonable price, which included the maintenance and capital expenditure work completed in 2025.
- [40] 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 only the valuation submitted by the Landlords' realtor.
- [41] I note that the Tenants did not object to the Landlords' valuation.
- [42] I find in this case that a \$450,000.00 valuation for a three-bedroom, two-bathroom property in Charlottetown, which recently had significant maintenance and repairs is a reasonable valuation.

Reasonable return on investment

[43] 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.

[44] Based upon a value of \$450,000.00 for the Unit, the Landlords' ROI in 2025 was 0.0%, because the Landlords were operating at a financial loss.

[45] After including the maximum additional rent increase above the annual allowable guideline for 2026, which is 5% (2% plus 3%), the Landlords' ROI for 2026 would be 1.7%.

[46] With the Landlords' requested 39% rent increase, the ROI would be 3.0%.

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

Clause 50(3)(d) – Expectation of Tenants regarding the annual guideline

[48] 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%.

[49] The Tenants recently moved into the Unit (November 2025).

[50] Previously, the Unit saw two rent increases within the previous three years. Both rent increases were by the annual allowable guideline.

[51] The Tenants did not provide any evidence regarding their expectations and do not dispute the Application.

Conclusion and phased in rent increase

[52] The Landlords are seeking a 39.0% rent increase. Clauses 50(6) and (7) of the Act state:

Subject to subsection (7), in considering an application under this section, the Director may

- (a) grant the application, in full or in part;*
- (b) refuse the application;*
- (c) order that the increase granted be phased in over a period of time; or*
- (d) order that the effective date of the increase granted is conditional upon the landlord's compliance with an order of the Director respecting the residential property.*

Where the Director grants an application under subsection (6) or orders that the increase granted be phased in over a period of time, the amount of the increase in rent in a calendar year shall not exceed 3 per cent in addition to the maximum percentage increased permitted under section 49.

- [53] I find that the factors weighted together support a 39% rent increase. In particular, I find that the Landlords have completed a significant amount of maintenance and repairs for the Unit in 2025. The Landlords operated at a financial loss in 2025 and have not sought an additional rent increase in the previous three years. The Landlords in 2026 would see an ROI below the 4.0% to 7.0% range. Further, the Landlords' 39% rent increase would also set the Landlords' ROI below this range.
- [54] Clause 50(7) of the *Act* limits an additional rent increase to 3.0% in addition to the annual allowable guideline, which is 2.0% in 2026. This means that the maximum rent increase permitted for 2026 is 5.0%. Clause 50(6) of the *Act* permits a phased in rent increase over a period of time.
- [55] I find that the Application is allowed. The Landlords are authorized for an additional rent increase to be phased in over a period of time as detailed below.
- [56] If the Landlords enter into a new tenancy with a new tenant, then the Landlords should provide the new tenant with a copy of this Order.
- [57] **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 March 1, 2026, the maximum allowable rent for the Unit is \$1,659.00.
2. The Landlords can implement a 3.0% additional rent increase with notice, each year on the date of March 1 until the rent totals \$2,196.20 per month, after which they may not implement an additional rent increase above the annual allowable percentage without approval from the Rental Office.
3. The future year's rent will be calculated using the following formula: **(annual allowable guideline + 3.0%) x Previous year's rent.**

DATED at Charlottetown, Prince Edward Island, this 23rd day of February, 2026.

(sgd.) Cody Burke

Cody Burke
Residential Tenancy Officer

APPENDIX "A"			
Revised Statement of Income & Expenses (Form 10)			
	2025 ROI	2026 ROI	Phased in ROI
Income			
Rental Income at 100% (Line 1)	\$18,996.36	\$19,908.00	\$26,354.40
Other income (Line 2)			
Vacancy Arrears/Losses (Line 3)	(\$13,456.36)		
Net Income before expenses (Line 4)	\$5,540.00	\$19,908.00	\$26,354.40
Expenses			
1st Mortgage Interest (Line 5)			
2nd Mortgage Interest (Line 6)			
Fuel (Line 7)	\$946.29		
Water & Sewer (Line 8)	\$1,000.00	\$1,000.00	\$1,000.00
Electricity (Line 9)	\$362.61		
Insurance (Line 10)	\$1,060.50	\$1,060.50	\$1,060.50
Property Tax (Provincial) (Line 11)	\$1,361.90	\$1,361.90	\$1,361.90
Property Tax (Municipal) (Line 12)	\$1,049.89	\$1,049.89	\$1,049.89
Island Waste Management Fees (Line 13)	\$219.00	\$219.00	\$219.00
Property Management Fees (Line 14)	\$927.00	\$995.40	\$1,317.72
Maintenance Fee (Line 15)	\$6,264.82	\$6,264.82	\$6,264.82
Capital Expenditures (Line 16)	\$266.23	\$266.23	\$266.23
Other (Line 17)	\$800.00		
Total Operating Expenses (Line 18)	\$14,258.24	\$12,217.74	\$12,540.06
Net Profit or (Loss) (Line 19)	(\$8,718.24)	\$7,690.26	\$13,814.34
Value of Investment in Property	\$450,000.00	\$450,000.00	\$450,000.00
Operating Income (Line 17)	(\$8,718.24)	\$7,690.26	\$13,814.34
Return on Investment (ROI)	0.0%	1.7%	3.0%

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.