

INTRODUCTION

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

DISPOSITION

- [3] The Landlord's evidence supports a 5.0% rent increase for the Unit effective April 1, 2026.

BACKGROUND

- [4] The Unit is a condominium owned by the Landlord since September 1, 2019.
- [5] The rent for the Unit is \$1,473.00 and the last rent increase was effective April 1, 2025.
- [6] On December 29, 2025 the Landlord served the Tenant with a *Form 8 Tenant Notice of Annual Allowable Rent Increase* (the "Notice").
- [7] On December 29, 2025 the Landlord emailed the Rental Office and the Tenant a *Form 9 Landlord Application to Request Additional Rent Increase* (the "Application") seeking a 3.0% additional increase above the 2026 annual allowable guideline of 2.0% effective April 1, 2026.
- [8] On February 18, 2026 the Rental Office emailed the parties notice of a teleconference hearing scheduled for March 24, 2026. The Tenant emailed the Rental Office stating she will not be attending the hearing.
- [9] On March 12, 2026 the Rental Office emailed the parties a 33-page PDF evidence package.
- [10] Included in the evidence package was a *Form 10 Landlord Statement of Income and Expenses* (the "Statement").
- [11] On March 24, 2026 the Landlord participated in the teleconference hearing. The Landlord confirmed that all documents submitted to the Rental Office were included in the evidence package.

ISSUE

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

ANALYSIS

Additional Rent Increases – Factors to Consider

- [12] The Landlord is required to prove on a balance of probabilities that an additional rent increase above the annual allowable guideline 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.

- [13] In order to determine the Application, I must consider the listed factors in subsection 50(3) of the *Act* and section 4 of the *Residential Tenancy Regulations* (the "*Regulations*"). Those factors are:
- (a) the rent history for the affected rental unit in the three years preceding the date of the application;
 - (b) 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;
 - (c) the expectation of the landlord to have a reasonable return on the landlord's capital investment; and
 - (d) the expectation of the tenant 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 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 Landlord's capital investment. I find that this factor is not relevant to the Application because the Landlord purchased the Unit in September 2019.

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

- [15] This factor requires that I consider the rent history for the Unit in the three years preceding the date of the Application. In this case, the three preceding years are 2025, 2024 and 2023.
- [16] The Landlord stated that the last increase occurred on April 1, 2025, by the annual allowable guideline. The Landlord stated that the Unit has not received an additional rent increase in the preceding three years.

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

- [17] This factor requires that I consider a change in operating expenses and capital expenditures for the three years preceding the date the Application that I consider to be relevant and reasonable.
- [18] The Landlord provided the operating expenses for the past three years in the Statement. Some of the operating expenses have increased, particularly, the interest payments on the first mortgage and property taxes.
- [19] The Landlord stated that there is no property management costs because she does the property management herself. The Landlord stated that the Statement's property management line includes the condo fees.
- [20] The Landlord stated that general maintenance was completed in the Unit over the past three years. The Landlord stated that the maintenance in 2025 was related to repairs to a washer machine. The Landlord stated that she was unable to locate receipts for 2024 and 2023 maintenance costs.
- [21] The Landlord stated that there are additional expenses that are not reflected on the Statement, which include principal payments on the mortgage and income tax.

Adjustments to the Statements

- [22] The adjusted Statement is detailed in Appendix “A” of this Order, which is based on the evidence.
- [23] The rental income is based on the 2025 calendar year and the proposed rental income is based on the 5.0% additional rent increase requested.
- [24] The expenses are based on the 2025 expenses supported by the evidence.

Property management fees to other costs

- [25] The Statement stated that the property management fees were \$1,800.00. However, the evidence presented establishes that this cost is not a property management fee but rather a condo fee. Such a fee is better reflected on *line 17 – other* in the Statement.

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

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

Value of Capital Investment

- [28] 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.

- [29] The Landlord provided the 2025 Provincial tax assessed value of the Unit. The total value of the Unit was \$205,700.00.
- [30] 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 Landlord’s 2025 tax assessed value. The Landlord stated that she did not have an appraisal of the Unit and the purchase price of the Unit from 2019 was less than the 2025 tax assessed value.
- [31] I find that the evidence presented establishes that the best available and accurate representation of the value of the Landlord’s capital investment is the 2025 tax assessed value.

Reasonable Return on Investment (“ROI”)

[32] In Order LR25-31, the Commission commented regarding a landlord’s ROI, stating in part:

[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.

[33] The evidence presented establishes that based on the value of \$205,700.00, the Landlord’s ROI is currently 5.9%.

[34] After calculating the proposed rent increase and including the adjustments, the Landlord’s ROI would increase to 6.2%.

[35] I find that the Landlord’s ROI is in the 4.0% to 7.0% range of a reasonable ROI on the Landlord’s capital investment.

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

[36] This factor requires that I consider the Tenant’s expectation that rent increases will remain within the annual guideline. In 2026 the annual guideline is 2.0%.

[37] The evidence presented establishes that the Unit has not received an additional rent increase above the annual guideline in the preceding three years of the Application.

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

CONCLUSION

[39] After considering and weighing all the factors and evidence, I find that the evidence supports a 5.0% rent increase for the Unit and the Application is allowed.

[40] The Landlord’s operating costs have increased over the past three years. The ROI based upon the proposed rent increase is supported because the calculation is based upon a conservative value of the Unit and the higher end of the 4.0% to 7.0% range is supported. The other two factors in this case are neutral.

[41] The Landlord provided the Tenant with three months’ notice of the rent increase to be effective on April 1, 2026 in accordance with the *Act*.

[42] **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 April 1, 2026, the Unit's maximum allowable monthly rent is \$1,547.00.

DATED at Charlottetown, Prince Edward Island, this 27th day of March, 2026.

(sgd.) Cody Burke

Cody Burke
Residential Tenancy Officer

APPENDIX "A"			
Revised Statement of Income & Expenses (Form 10)			
	Current ROI	Proposed ROI	Expected Expenses
Income			
Rental Income at 100% (Line 1)	\$17,676.00	\$18,564.00	
Other income (Line 2)			
Vacancy Arrears/Losses (Line 3)			
Net Income before expenses (Line 4)	\$17,676.00	\$18,564.00	
Expenses			
1st Mortgage Interest (Line 5)	\$0.00	\$0.00	\$6,800.00
2nd Mortgage Interest (Line 6)	\$0.00	\$0.00	\$0.00
Fuel (Line 7)	\$0.00	\$0.00	\$0.00
Water & Sewer (Line 8)	\$0.00	\$0.00	\$0.00
Electricity (Line 9)	\$0.00	\$0.00	\$0.00
Insurance (Line 10)	\$195.00	\$195.00	\$195.00
Property Tax (Provincial) (Line 11)	\$2,057.00	\$2,057.00	\$2,057.00
Property Tax (Municipal) (Line 12)	\$1,007.93	\$1,049.07	\$1,049.07
Island Waste Management Fees (Line 13)	\$219.00	\$219.00	\$219.00
Property Management Fees (Line 14)	\$0.00	\$0.00	\$0.00
Maintenance Fee (Line 15)	\$308.00	\$400.00	\$400.00
Capital Expenditures (Line 16)	\$0.00	\$0.00	\$0.00
Other (Line 17)	\$1,800.00	\$1,800.00	\$1,800.00
Total Operating Expenses (Line 18)	\$5,586.93	\$5,720.07	\$12,520.07
Net Profit or (Loss) (Line 19)	\$12,089.07	\$12,843.93	
Value of Investment in Property	\$205,700.00	\$205,700.00	
Operating Income (Line 17)	\$12,089.07	\$12,843.93	
Return on Investment (ROI)	5.9%	6.2%	

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.