

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 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 May 1, 2026.

BACKGROUND

- [4] The Unit is a single-family house that the Landlord has owned since 2015.
- [5] On January 2, 2026, the Landlord served the Tenant a *Form 8 Tenant Notice of Annual Allowable Rent Increase* and a *Form 9 Landlord Application to Request Additional Rent Increase* (the “Application”).
- [6] On January 2, 2026, the Landlord filed the Application with the Rental Office.
- [7] The Application seeks a 5.0% rent increase for the Unit, which is an additional 3.0% above the 2026 annual allowable guideline of 2.0%. The current rent and proposed rent are as follows:

Current Rent	Proposed Rent
\$1,200.00	\$1,260.00

- [8] On February 2, 2026, the Rental Office sent the Landlord notice of a teleconference hearing scheduled for March 10, 2026.
- [9] On February 6, 2026, the Rental Office sent the Tenant notice of a teleconference hearing scheduled for March 10, 2026.
- [10] On February 9, 2026, the Tenant notified the Rental Office that he was not disputing the rent increase and would not be participating in the hearing.
- [11] On March 10, 2026, the Rental Office sent the parties notice of a rescheduled teleconference hearing for March 17, 2026, to allow the Landlord additional time to provide evidence.
- [12] On March 10, 2026, the Rental Office sent the parties a 28-page PDF evidence package.
- [13] Included in the evidence package was a *Form 10 Landlord Statement of Income and Expenses* (the “Statement”).
- [14] On March 17, 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. The Tenant did not participate in the teleconference hearing or submit any evidence.
- [15] On March 23, 2026, the Landlord submitted 17 additional supporting documents to the Rental Office. On March 24, 2026, the Landlord’s additional documents were sent to the Tenant. No additional submissions were received from the Tenant.

ISSUE

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

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

- [16] The Landlord is required to prove on a balance of probabilities that the evidence supports an additional rent increase above the annual allowable guideline. This means that there must be sufficiently clear and convincing evidence to support the Landlord's additional rent increase request.
- [17] 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 Landlord 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.
- [18] Subsection 50(4) states that I also have the discretion to consider any other factor or any factor prescribed in the *Residential Tenancy Regulations* (the "Regulations"). The Regulations state that I may also consider that the purchase of a residential property should not require an increase in rent within the first year to achieve a reasonable return on the landlord's capital investment. I find this factor irrelevant because the Landlord purchased the Unit in 2015.

Clause 50(3)(a) – rent history for the affected rental unit

- [19] 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.
- [20] The Landlord stated that there have been no rent increases since the Unit became a rental unit in 2020.

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

- [21] 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. The Landlord provided the operating expenses for the past three years in the Statement.
- [22] Each claimed expense was supported by testimony and documentary evidence, including statements, receipts, and invoices, to corroborate the amounts.
- [23] Other than the adjustments below, I accept the Landlord's evidence regarding the Statement. The adjusted Statement is detailed in Appendix "A" of this Order, which is based on the evidence.

Adjustments to the Statement

- a. Line 10 (Insurance): The Landlord claimed \$1,665.19. The Landlord stated this expense includes the house insurance and the mortgage insurance. I find that the documentary evidence establishes that the Unit's house insurance expense on August 24, 2025, was \$1,074.00. I find that the documentary evidence establishes the 2025 yearly mortgage insurance expense totalled \$622.44. This line is adjusted to \$1,696.44.
- b. Line 11 (Provincial property tax): The Landlord claimed \$1,306.32. I find that the documentary evidence establishes that the Unit's property tax expense on April 14, 2025, was \$1,640.25. This line is adjusted to \$1,640.25.
- c. Line 12 (Municipal property tax): The Landlord claimed \$219.00. I find that the Landlord submitted insufficient documentary evidence to support this expense. It is unclear if this expense is included in the Unit's Provincial property tax expense. This line is adjusted to \$0.00.
- d. Line 13 (Island Waste Management fees): The Landlord claimed \$114.96. I find that the Landlord submitted insufficient documentary evidence to support this expense. It is unclear if this expense is included in the Unit's Provincial property tax expense. This line is adjusted to \$0.00.
- e. Line 15 (Maintenance expenses): The Landlord claimed \$1,000.00 for the Unit's maintenance expenses for the last 12 months, which the Landlord stated was an estimate. I find that the Landlord submitted insufficient documentary evidence to support these expenses. This line is adjusted to \$0.00. My analysis is as follows:
- i. Before the hearing, the Landlord submitted no supporting documentary evidence to establish any maintenance expenses. After the hearing, the Landlord submitted 16 additional documents to support the claimed maintenance and capital expenses.
 - ii. Upon review of the 16 additional supporting documents (receipts), 15 of these receipts consist of: three receipts from 2020, one from 2021, one from 2022, and ten from 2024. I find that the items listed on these receipts cannot be claimed as expenses for the last 12 months. Additionally, I find that none of the items listed on these receipts would be considered capital expenditures.
 - iii. There is one additional receipt dated November 12, 2024, that includes an expense for a door, which I consider a capital expense and will be determined below; however, the other two items on this receipt are not capital expenses and cannot be claimed as expenses for the last 12 months.
- f. Line 16 (Capital expenditures): Clause 5(a) of the Regulations defines capital expenditures as: *expenditures for replacement of plumbing, electrical or heating systems or appliances, and major structural repairs*. The Landlord claimed the following:

Item	Year completed	Cost	Life expectancy	Yearly expense
Lawnmower	2024	\$900.00	3 years	\$300.00
Generator	2022	\$600.00	4 years	\$150.00
Inside porch/entry	2024	\$765.00	3 years	\$255.00
Furnace repair	2021	\$489.00	5 years	\$98.00
Sump pump/furnace	2020	\$547.00	6 years	\$91.00

- i. **Lawnmower:** There is no documentary evidence to support this expense. Additionally, the Landlord noted on the Statement that he purchased and retained this lawnmower for his personal use and gave the Tenant his old lawnmower for the Unit. As the lawnmower the Landlord purchased in 2024 was for his personal use and not for the Unit, I find that this expense cannot be claimed on the Statement. I also find that there are no supporting documents to establish the cost of the old lawnmower that the Landlord gave to the Tenant for the Unit. This expense is adjusted to \$0.00.
- ii. **Generator:** The Landlord submitted a receipt for \$1,264.99 for a generator purchased in November 2022. However, the Landlord noted on the Statement that he purchased and retained this generator for his personal use and gave the Tenant his old generator for the Unit. As the generator the Landlord purchased in 2022 was not for the Unit, I find that this expense cannot be claimed on the Statement. I also find that there are no supporting documents to establish the cost of the generator that the Landlord gave to the Tenant for the Unit. This expense is adjusted to \$0.00.
- iii. **Inside porch/entry:** The Landlord submitted several receipts for expenses from 2024 related to the inside porch/entry. I find that the documentary evidence establishes these expenses total \$596.37. Additionally, I find there is insufficient evidence as to whether the door expense was part of the inside porch/entry repair. As such, the door expense will be determined separately. I adjust the life expectancy to ten years. This expense is adjusted to \$59.63.
- iv. **Furnace repair:** The Landlord submitted a 2021 furnace repair invoice for \$416.30. Over a five-year life expectancy, this expense is adjusted to \$83.26.
- v. **Sump pump/furnace:** The Landlord submitted three receipts from 2020 for the sump pump/furnace repair totalling \$302.85. Over a six-year life expectancy, this expense is adjusted to \$50.47.
- vi. **Door:** The Landlord submitted a 2024 receipt for a door replacement of \$424.35. I find that the door would be considered a capital expense with a 10-year life expectancy. This expense is adjusted to \$42.44.
- vii. The total capital expenditures are adjusted to \$235.80.

Clause 50(3)(c) – reasonable return on the landlord’s capital investment

- [24] Clause 50(3)(c) requires that I consider the Landlord’s expectation to have a reasonable return on his capital investment.
- [25] To determine the Landlord’s return on investment (“ROI”), I must first determine the value of the Landlord’s capital investment.

Value of Capital Investment

- [26] 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."

[27] The Landlord listed no value of the Unit's capital investment on the Statement. The Landlord stated that he purchased the Unit in 2015 for \$139,000.00; however, no documentary evidence was submitted to support this purchase price. The Landlord stated that the Unit was appraised approximately 4 years ago at approximately \$200,000.00; however, no documentary evidence was submitted to support this appraisal price.

[28] 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 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 of \$206,900.00.

Reasonable Return on Investment

[29] 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.

[61] Additionally, it is always open to landlords on additional rent increase applications to bring forward professional evidence and challenge the accepted ROI guideline, but the upper limit of 7% should not be adjusted further upward unless satisfactory professional evidence is provided."

[30] Based on the Unit's adjusted value of \$206,000.00 and excluding mortgage interest, the Landlord's ROI is currently 5.2%.

[31] After including the 2026 annual allowable rent increase of 2.0% and the maximum additional rent increase of 3.0%, the Landlord's ROI would increase to 5.6%.

[32] 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

- [33] Clause 50(3)(d) requires that I consider the Tenant's expectation that rent increases will remain within the annual guideline. In 2026, the annual guideline increase is 2.0%.
- [34] The evidence presented establishes that the Unit has not received any additional rent increases above the annual guideline in the three years preceding the Application.
- [35] The Tenant stated that he was not opposing the additional rent increase.

Weighing the Factors

- [36] As stated in Order LR25-31, the Commission (and the Rental Office) currently lacks a professional analysis that sets out an appropriate rate of return on investment for residential rental properties. Landlords are entitled to an ROI of at least 4.0% and, on a case-by-case basis, may justify an ROI of up to 7.0% as reasonable, based on the specific circumstances.
- [37] The ROI based upon the proposed rent increase is supported because the calculation is based upon a conservative value of the Unit (the tax-assessed value), and the higher end of the 4.0% to 7.0% range is supported. The Landlord's operating costs have increased since at least 2024. The Landlord had added capital expenditures to the Unit. Additionally, the Unit has never had a rent increase, and the Tenant is not opposed to an above guideline rent increase.
- [38] The Landlord provided the Tenant with at least three months' notice of the rent increase to be effective on May 1, 2026, in accordance with the Act.
- [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] **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 May 1, 2026, the Unit's maximum allowable monthly rent is \$1,260.00.

DATED at Charlottetown, Prince Edward Island, this 8th day of April, 2026.

(sgd.) Mitch King

Mitch King
Residential Tenancy Officer

APPENDIX "A"
Revised Statement of Income & Expenses (Form 10)

	Current ROI	Proposed ROI	Expected Expenses
Income (Yearly)			
Rental income at 100% occupancy (Line 1)	\$14,400.00	\$15,120.00	
Other income (Line 2)	\$0.00	\$0.00	
Less vacancy / Arrears loss (Line 3)	\$0.00	\$0.00	
Net Income (Line 4)	\$14,400.00	\$15,120.00	
Expenses (Yearly)			
Interest payments on first mortgage (Line 5)	\$0.00	\$0.00	\$4,501.37
Interest payments on second mortgage (Line 6)	\$0.00	\$0.00	\$0.00
Fuel (Line 7)	\$0.00	\$0.00	\$0.00
Water/Sewerage (Line 8)	\$0.00	\$0.00	\$0.00
Electricity (Line 9)	\$0.00	\$0.00	\$0.00
Insurance (Line 10)	\$1,696.44	\$1,696.44	\$1,696.44
Provincial Property Tax (Line 11)	\$1,640.28	\$1,640.28	\$1,640.28
Municipal Property Tax (Line 12)	\$0.00	\$0.00	\$0.00
Island Waste Management fees (Line 13)	\$0.00	\$0.00	\$0.00
Property Management fees (Line 14)	\$0.00	\$0.00	\$0.00
Maintenance expenses (Line 15)	\$0.00	\$0.00	\$0.00
Capital expenditures (Line 16)	\$235.80	\$235.80	\$142.89
Other (Line 17)	\$0.00	\$0.00	\$0.00
Total operating expenses (Line 18)	\$3,572.52	\$3,572.52	\$7,980.98
Net profit/loss (Line 19)	\$10,827.48	\$11,547.48	
Value of Investment in Property	\$206,900.00	\$206,900.00	
Operating Income (Line 17)	\$10,827.48	\$11,547.48	
Return on Investment (ROI)	5.2%	5.6%	

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.