

**INTRODUCTION**

- [1] This decision determines two applications filed with the Residential Tenancy Office (the "Rental Office") under the *Residential Tenancy Act* (the "Act").
- [2] The Landlord seeks 5.0% rent increases for Units 97 and 99, which are an additional 3.0% above the 2026 annual allowable guideline of 2.0%.

**DISPOSITION**

- [3] I find that the rent for Unit 97 will increase by the allowable 2.0% effective May 1, 2026. The evidence presented does not support an additional 3.0% increase.
- [4] The rent increase for Unit 99 is dismissed. The evidence does not establish that the Landlord served the tenant of Unit 99 ("SB") with a *Form 8 Notice of Annual Allowable Rent Increase* or a *Form 9 Landlord Application to Request Additional Rent Increase*.

**BACKGROUND**

- [5] The Units have three-bedrooms and one-bathroom and are located in a building that the Landlord has owned since October 18, 2021.
- [6] The parties participated in an earlier Rental Office rent increase proceeding. On January 31, 2025 Order LD25-033 was issued which approved 5.3% rent increases for the Units effective February 1, 2025.
- [7] On November 18, 2025, the Landlord filed two *Form 9 Landlord Application to Request Additional Rent Increase* (the "Applications") with the Rental Office. The Landlord also provided the Rental Office with two *Form 8 Notice of Annual Allowable Rent Increase* (the "Notices").
- [8] The Applications request the following rent increases:

Unit	Current Rent	Proposed Rent
97	\$1,101.94	\$1,157.04
99	\$1,109.26	\$1,164.72

- [9] On January 8, 2026, the Rental Office sent the parties notice of a teleconference hearing scheduled for February 17, 2026.
- [10] On January 30, 2026, the Landlord provided the Rental Office with two *Form 10 Landlord Statement of Income and Expense*.
- [11] On February 6, 2026, the Rental Office sent the parties a 37-page PDF evidence package.
- [12] On February 17, 2026, the Landlord's representative (the "Representative") and one of the Tenants (SB) participated in the teleconference hearing. The Representative and SB confirmed that no documents previously submitted to the Rental Office were missing from the evidence package regarding this matter. The Landlord was requested to submit additional evidence after the hearing.
- [13] On March 9, 2026 the Rental Office emailed the Landlord requesting the additional evidence.
- [14] On March 25, 2026 the Rental Office emailed the Landlord again requesting that additional evidence be submitted by April 7, 2026.
- [15] On April 9, 2026 the Rental Office emailed the Landlord informing that the Rental Office did not receive additional evidence and a decision would be prepared based upon the evidence presented.

**PRELIMINARY MATTER**

- [16] SB disputed service of the November 18, 2025 *Form 9* application. SB stated that she had checked her Gmail account back to November 2025 and she could not locate the Landlord's rent increase notice or the application. SB did not receive the Applications until January 8, 2026 when the Rental Office emailed SB the notice of hearing. SB did not receive the Notices until the Rental Office emailed her the evidence package.
- [17] The Landlord's proof of service for SB was included in the evidence package. This document does not include SB's entire email address. During the hearing the Representative searched for proof of service in an email account of the Landlord but was unable to find it.
- [18] After the hearing I provided the Landlord with additional time to provide the Rental Office with SB's proof of service for the *Form 8* notice and the *Form 9* application. However, the Landlord did not provide any additional evidence.
- [19] Section 48 of the *Act* required the Landlord to serve SB with a *Form 8* notice. Subsection 50(2) required the Landlord to serve SB with a copy of the *Form 9* application.
- [20] I find that the evidence presented does not establish that the Landlord served a *Form 8* notice or a *Form 9* application to SB.
- [21] The proof of service provided for SB does not show the complete email address. SB has denied receiving these documents. The Landlord has not provided complete proof of service despite being provided with additional time.
- [22] As a result, I find that no rent increase is approved for Unit 99 in this decision.

**ISSUE**

- A. Does the evidence support a 5.0% rent increase for Unit 97?

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

- [23] In order to determine the application for Unit 97, 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.
- [24] Subsection 50(4) of the *Act* provides that I have the discretion to consider any other relevant factor and any factor prescribed in the *Residential Tenancy Regulations* (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. This factor is not relevant because the Landlord has owned Unit 97 since 2021.

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

- [25] 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.

- [26] The Landlord provided Unit 97's three-year rent history.
- [27] In Order LD25-033 the rent was increased on February 1, 2025 a total of 5.3%, being 3.0% above the 2025 annual allowable guideline.
- [28] I find that this factor alone weighs against the Landlord's request for the proposed increase because the Landlord has recently received an above the allowable increase.

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

- [29] 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.
- [30] The Landlord provided the operating expenses for the past three years in the statement for Unit 97 (the "Statement"). Although the Landlord's interest, water, sewer, insurance and property taxes have been increasing, the furnace oil cost significantly decreased. The Landlord has not claimed capital expenditures.
- [31] I find that this factor alone weighs against the Landlord's request for the proposed increase.

**Adjustments to the Statement**

- [32] The adjusted Statement is detailed in Appendix "A" of this decision, which is based upon the Landlord's costs in the most recent twelve-month period in the Statement. The rental income is based upon the annual current and proposed rents.
- [33] I note that in Order LD25-033 there was no deduction for maintenance or shareholder interest in the Rental Officer's calculations.
- [34] I requested further evidence from the Landlord regarding the maintenance expenses and the shareholder interest deductions. I also requested additional evidence regarding the increase in property management fees from \$222.20 to \$520.06.
- [35] I find that the Landlord's maintenance and shareholder interest deductions are reduced to zero in Appendix "A" because the Landlord did not provide the Rental Office with the requested additional evidence supporting the amounts in the Statement. I find that insufficient evidence has been presented to support these deductions. Similarly, the lower property management fee of \$222.20 is used in Appendix "A."

**Clause 50(3)(c) – Reasonable return on the Landlord's capital investment**

- [36] Clause 50(3)(c) requires that I consider the Landlord's expectation to have a reasonable return on its capital investment.
- [37] In order to determine return on investment ("ROI"), I must first determine the value of the Landlord's capital investment.

**Value of capital investment**

- [38] 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.*

- [39] The tax assessed value of Unit 97 is \$80,080.00 (total assessed value of \$400,400.00 divided by 5 units).
- [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 used the tax assessed value. I note that this is a conservative value of Unit 97.
- [41] I have not used the Landlord’s purchase price for calculating the Unit’s value. I requested additional documentation from the Landlord regarding the purchase price but the Landlord did not submit further evidence.

**Reasonable return on investment**

- [42] In Order LR25-31, the Commission stated the following 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.*

- [43] In Appendix “A” the principal mortgage balance is not deducted from Unit 97’s value and the mortgage interest is not included in the annual operating expenses in accordance with Order LR25-31.
- [44] Based upon the evidence presented, the Landlord’s ROI is currently 10.2%.
- [45] After including the proposed rent increase, the Landlord’s ROI would increase to 11.0%. This ROI is above the 4.0% to 7.0% range for a reasonable ROI.

[46] I find that this factor alone weighs against the Landlord's request for the proposed increase.

**Clause 50(3)(d) – Tenant's expectation regarding the annual guideline**

[47] Clause 50(3)(d) requires that I consider the Unit 97 tenant's expectation that rent increases will remain within the annual guideline. In 2026, the annual guideline increase is 2.0%.

[48] The Unit 97 tenant did not participate in the hearing regarding their expectations. I find that this factor alone is neutral regarding the Landlord's request for the proposed increase.

**CONCLUSION**

[49] After considering and weighing all of the factors and the evidence presented, I find that the evidence does not support a 5.0% rent increase for Unit 97 and the application for an additional 3.0% increase is denied.

[50] The Landlord recently received an above the allowable increase for Unit 97. There has not been a significant change in the Landlord's established operating costs and the Landlord has not incurred capital expenditures. Based upon the evidence presented, Landlord's ROI is above the reasonable range. The last factor in this case is neutral.

[51] I find that Unit 97's rent will increase by the allowable 2.0%, with the maximum allowable rent for Unit 97 being \$1,124.00 effective May 1, 2026.

[52] **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 maximum allowable monthly rent for Unit 97 is \$1,124.00.
2. No rent increase is approved for Unit 99 in this decision.

**DATED** at Charlottetown, Prince Edward Island, this 15th day of April, 2026.

(sgd.) Andrew Cudmore

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**Andrew Cudmore**  
**Residential Tenancy Officer**

APPENDIX "A"			
Unit 97			
Revised Statement of Income & Expenses (Form 10)			
	Current Rent	5.0% Increase	Established Expenses
Rental Income			
Income (Lines 1 & 2)	\$13,223.28	\$13,884.48	
Vacancy/Arrears (Line 3)	\$0.00	\$0.00	
Net Income (Line 4)	\$13,223.28	\$13,884.48	
Expenses			
1st Mortgage Interest (Line 5)	\$0.00	\$0.00	\$5,600.64
2nd Mortgage Interest (Line 6)	\$0.00	\$0.00	\$0.00
Fuel (Line 7)	\$1,751.24	\$1,751.24	\$1,751.24
Water & Sewer (Line 8)	\$573.68	\$573.68	\$573.68
Electricity (Line 9)	\$0.00	\$0.00	\$0.00
Insurance (Line 10)	\$812.00	\$812.00	\$812.00
Property Taxes (Lines 11, 12 & 13)	\$1,681.31	\$1,681.31	\$1,681.31
Property Management Fee (Line 14)	\$222.20	\$222.20	\$222.20
Maintenance Fee (Line 15)	\$0.00	\$0.00	\$0.00
Capital Expenditures (Line 16)	\$0.00	\$0.00	\$0.00
Other (Line 17)	\$0.00	\$0.00	\$0.00
Total Expenses	\$5,040.43	\$5,040.43	\$10,641.07
Annual Net Profit	\$8,182.85	\$8,844.05	
Return on Investment			
Value of Investment	\$80,080.00	\$80,080.00	
Net Profit	\$8,182.85	\$8,844.05	
Return on Capital Investment	10.2%	11.0%	

## 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.