

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 the Units, which are an additional 3.0% above the 2026 annual allowable guideline of 2.0%.

DISPOSITION

- [3] I find that the rent for Unit 109 will increase by the allowable 2.0% and the rent for Unit 113 will increase by 5.0%.

BACKGROUND

- [4] The Units have three-bedrooms and one-bathroom and the Landlord has owned the Units since October 18, 2021.
- [5] 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").
- [6] The Applications request the following rent increases:

Unit	Current Rent	Proposed Rent
109	\$1,047.20	\$1,099.56
113	\$1,046.43	\$1,098.75

- [7] On January 8 and 9, 2026, the Rental Office sent the parties notice of a teleconference hearing scheduled for February 19, 2026.
- [8] On February 5, 2026, the Landlord provided the Rental Office with two *Form 10 Landlord Statement of Income and Expense* (the "Statements").
- [9] On February 10, 2026, the Rental Office sent the parties a 39-page PDF evidence package.
- [10] On February 19, 2026, the Landlord's representatives (the "Representatives") and witness participated in the teleconference hearing. I emailed the Tenants and advised that the hearing would proceed ten minutes after the scheduled time and to join the teleconference immediately if they wanted to participate. The hearing proceeded in the Tenants' absence about ten minutes after the scheduled time. The Representatives confirmed that no documents previously submitted to the Rental Office were missing from the evidence package. The Landlord was requested to submit additional evidence after the hearing.
- [11] On March 9, 2026 the Rental Office emailed the Landlord requesting the additional evidence.
- [12] On March 25, 2026 the Rental Office emailed the Landlord again requesting that additional evidence be submitted by April 7, 2026.
- [13] 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.

ISSUE

- A. Does the evidence support 5.0% rent increases for the Units?

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

[14] In order to determine the Applications, I must consider the following factors in subsection 50(3) of the *Act*, which are as follows:

1. The rent history for the Units in the three years preceding the date of the Applications;
2. A change in operating expenses and capital expenditures in the three years preceding the date of the Applications 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 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 *Residential Tenancy Regulations* (the “Regulations”). The Regulations state that the purchase of the Units should not require rent increases 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 the Units since 2021.

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

[16] Clause 50(3)(a) requires that I consider the rent history for the affected Units in the three years preceding the date of the Applications.

[17] The Landlord provided the Units’ three-year rent history, showing that the rents have increased by the allowable percentage each year. I find that this factor alone is neutral.

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

[18] 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 Applications that I consider to be relevant and reasonable.

[19] The Landlord provided the operating expenses for the past three years in the Statements. The Unit 109 statement shows that the Landlord’s established expenses have decreased by over \$500.00. The Unit 113 statement shows that the Landlord’s established expenses have remained about the same.

[20] I find that this factor alone weighs against the Landlord’s request for the proposed increases, particularly for Unit 109.

Adjustments to the Statements

[21] The adjusted Statements are detailed in Appendixes “A” and “B” of this decision, which is based upon the Landlord’s costs in the most recent twelve-month period in the Statements. The rental income is based upon the annual current and proposed rents.

[22] During the hearing the Landlord provided testimony regarding the expenses, particularly the shareholder interest cost and maintenance expenses.

[23] I requested further evidence from the Landlord regarding the maintenance expenses and the shareholder interest deductions. I also requested additional evidence regarding the approximately \$300.00 increase in property management fees above \$222.20.

- [24] I find that the Landlord's maintenance and shareholder interest deductions are reduced to zero in Appendixes "A" and "B" because the Landlord did not provide the Rental Office with the requested additional evidence supporting the amounts in the Statements. I find that insufficient evidence has been presented to support these deductions. Similarly, the lower property management fee of \$222.20 is used in the Appendixes.

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

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

Value of capital investment

- [27] 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.

- [28] The tax assessed value of Unit 109 is \$80,080.00 (total assessed value of \$400,400.00 divided by 5 units) and the separate tax assessed value for Unit 113 is \$101,600.00.
- [29] 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 values. I note that these are conservative valuations of the Units.
- [30] I have not used the Landlord's purchase price for calculating the Units' value. I requested additional documentation from the Landlord regarding the purchase price but the Landlord did not submit further evidence.

Reasonable return on investment

[31] 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.

[32] In the Appendixes the principal mortgage balance is not deducted from the Units' values and the mortgage interest is not included in the annual operating expenses for calculating ROI in accordance with Order LR25-31.

[33] Based upon the evidence presented, the Landlord's ROI for Unit 109 is currently 9.9%. After including the proposed rent increase, the Landlord's ROI would increase to 10.7%. This ROI is above the 4.0% to 7.0% range for a reasonable ROI. I find that this factor alone weighs against the Landlord's request for the proposed Unit 109 rent increase.

[34] Based upon the evidence presented, the Landlord's ROI for Unit 113 is currently 6.4%. After including the proposed rent increase, the Landlord's ROI would increase to 7.1%. This ROI is very close to the upper 7.0% range for a reasonable ROI. This ROI is supported because the value of this unit is based upon the tax assessment, which is a conservative value. I find that this factor alone provides some support for the Landlord's request for the proposed Unit 113 rent increase.

Clause 50(3)(d) – Tenants' expectation regarding the annual guideline

[35] Clause 50(3)(d) 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%.

[36] The Tenants 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 increases.

CONCLUSION

[37] 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 109 and the application for an additional 3.0% increase is denied. I find that the evidence presented supports a 5.0% rent increase for Unit 113.

[38] In this case the Units' rent history and the Tenants' expectations are neutral factors. Unit 109's expenses have decreased more than Unit 113's in the Statements. Based upon the evidence presented, Unit 109's ROI is above the reasonable range at the current rent. Unit 113's ROI is within the reasonable range with the proposed increase included. As a result, I find that the additional rent increase application for Unit 109 is denied and the application for Unit 113 is approved.

[39] I find that Unit 109's rent will increase by the allowable 2.0%, with the maximum allowable rent for Unit 109 being \$1,068.00. Unit 113's rent will be \$1,098.75. The effective date of the rent increases is May 1, 2026.

[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 maximum allowable monthly rents for the Units are:

Unit	Rent
109	\$1,068.00
113	\$1,098.75

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

(sgd.) Andrew Cudmore

Andrew Cudmore
Residential Tenancy Officer

APPENDIX "A"			
Unit 109			
Revised Statement of Income & Expenses (Form 10)			
	Current Rent	5.0% Increase	Established Expenses
Rental Income			
Income (Lines 1 & 2)	\$12,566.40	\$13,194.72	
Vacancy/Arrears (Line 3)	\$0.00	\$0.00	
Net Income (Line 4)	\$12,566.40	\$13,194.72	
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)	\$1,115.93	\$1,115.93	\$1,115.93
Water & Sewer (Line 8)	\$646.74	\$646.74	\$646.74
Electricity (Line 9)	\$0.00	\$0.00	\$0.00
Insurance (Line 10)	\$944.00	\$944.00	\$944.00
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	\$4,610.18	\$4,610.18	\$10,210.82
Annual Net Profit	\$7,956.22	\$8,584.54	
Return on Investment			
Value of Investment	\$80,080.00	\$80,080.00	
Net Profit	\$7,956.22	\$8,584.54	
Return on Capital Investment	9.9%	10.7%	

APPENDIX "B"			
Unit 113			
Revised Statement of Income & Expenses (Form 10)			
	Current Rent	5.0% Increase	Established Expenses
Rental Income			
Income (Lines 1 & 2)	\$12,557.16	\$13,185.00	
Vacancy/Arrears (Line 3)	\$0.00	\$0.00	
Net Income (Line 4)	\$12,557.16	\$13,185.00	
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)	\$2,131.33	\$2,131.33	\$2,131.33
Water & Sewer (Line 8)	\$823.14	\$823.14	\$823.14
Electricity (Line 9)	\$0.00	\$0.00	\$0.00
Insurance (Line 10)	\$924.00	\$924.00	\$924.00
Property Taxes (Lines 11, 12 & 13)	\$1,915.72	\$1,915.72	\$1,915.72
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	\$6,016.39	\$6,016.39	\$11,617.03
Annual Net Profit	\$6,540.77	\$7,168.61	
Return on Investment			
Value of Investment	\$101,600.00	\$101,600.00	
Net Profit	\$6,540.77	\$7,168.61	
Return on Capital Investment	6.4%	7.1%	

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.