

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] I find that the Unit’s rent will increase by the allowable 2.0%. The Landlord’s request for an additional 3.0% increase is denied.

BACKGROUND

- [4] On October 18, 2021 the Landlord purchased the Unit, which has three-bedrooms and one-bathroom.
- [5] The parties participated in an earlier Rental Office rent increase proceeding. On February 2, 2023 Order LD23-036 was issued which allowed a rent increase from \$905.97 to \$1,267.32 effective March 1, 2023.
- [6] On November 18, 2025, the Landlord filed a *Form 9 Landlord Application to Request Additional Rent Increase* (the “Application”) with the Rental Office. The Landlord also provided the Rental Office with a *Form 8 Notice of Annual Allowable Rent Increase* (the “Notice”).
- [7] The Application requests the following rent increase:

Unit	Current Rent	Proposed Rent
223	\$1,335.36	\$1,402.13

- [8] On January 8, 2026, the Rental Office sent the parties notice of a teleconference hearing scheduled for February 19, 2026.
- [9] On February 5, 2026, the Landlord provided the Rental Office with a *Form 10 Landlord Statement of Income and Expense* (the “Statement”).
- [10] On February 12, 2026, the Rental Office sent the parties a 35-page PDF evidence package.
- [11] On February 18, 2026 the Rental Office emailed the parties additional Director’s evidence, being a copy of Order LD23-036.
- [12] On February 19, 2026, the Landlord’s representative and the Tenant’s representative participated in the teleconference hearing. The parties 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.
- [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.

ISSUE

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

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

[16] In order 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 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.

[17] 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 a rent increase 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 Unit since 2021.

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

[18] Clause 50(3)(a) requires that I consider the rent history for the Unit in the three years preceding the date of the Application.

[19] The Application was filed on November 18, 2025 and therefore I will consider rent increases from November 18, 2022 onwards.

[20] On February 2, 2023 Order LD23-036 was issued which increased the Unit’s rent from \$905.97 to \$1,267.32 effective March 1, 2023.

[21] This \$361.35 rent increase amounts to a 39.89% increase. I note that the legislated annual allowable percentage for 2023 was 0.00% under subsection 23(1.1) of the *Rental of Residential Property Act* and subsection 49(4) of the *Act*.

[22] The Landlord also increased the Unit’s rent by the allowable 3.0% percent in 2024 and 2.3% in 2025.

[23] I find that this factor alone weighs heavily against the additional 3.0% increase because of the significant 39.89% rent increase effective March 1, 2023.

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

[24] 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.

- [25] The Landlord provided the operating expenses for the past three years in the Statement. The established expenses for mortgage interest, water, sewer, insurance and property taxes have increased. However, the decrease in heating costs exceeds the increased costs. Therefore, there is a net decrease in these costs. The Landlord has not claimed capital expenditures. This factor alone weighs against the proposed increase.

Adjustments to the Statement

- [26] 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.
- [27] During the hearing the Landlord provided testimony regarding the expenses, particularly the shareholder interest cost and the maintenance expenses. The Landlord's representative stated that a previous employee had missed the shareholder interest deduction in the earlier rent increase case, which was determined in Order LD23-036.
- [28] The Tenant provided testimony about the Unit's maintenance. The Tenant's evidence is essentially that the Landlord has completed limited maintenance and improvements, except for a heat pump installation. The Unit's occupant has completed significant maintenance at their own expense, particularly with regard to two floods.
- [29] 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 \$626.56.
- [30] 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

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

Value of capital investment

- [33] 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.

- [34] The tax assessed value of the Unit is \$132,000.00.
- [35] 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 valuation of the Unit.
- [36] 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

- [37] 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.

- [38] In Appendix "A" the principal mortgage balance is not deducted from the Unit's value and the mortgage interest is not included in the annual operating expenses for calculating ROI in accordance with Order LR25-31.
- [39] Based upon the evidence presented, the Landlord's ROI for the Unit is currently 6.8%. After including the proposed rent increase, the Landlord's ROI would increase to 7.4%. Normally a return on investment close to 7% would be supported when a conservative value for a rental unit is used, as in this case when the tax assessed value is used. I find that this factor alone weighs against the Landlord's request for the proposed rent increase because the Landlord's ROI is already near 7%.

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

- [40] 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%.
- [41] The Tenant did not expect an above guideline increase because of the recent, significant rent increase. I find that this factor alone weighs against the Landlord's request for the proposed increase.

CONCLUSION

- [42] 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 the Unit and the application for an additional 3.0% increase is denied.
- [43] There has been a net decrease in the Landlord's established expenses for the three years in the Statement and the current ROI is already near 7% based upon the evidence presented.
- [44] The Unit's rent history weighs heavily against an additional rent increase. The Landlord already received a 39.89% increase during the three-year period under consideration and this rent increase occurred during 2023 when the annual allowable was zero percent. In these circumstances, the Tenant's expectation that there would not be an additional rent increase in 2026 is reasonable.
- [45] As a result, I find that the Application for an additional 3.0% rent increase is denied.
- [46] I find that effective May 1, 2026 the Unit's rent will increase by the allowable 2.0%, with the maximum allowable rent for being \$1,362.00.
- [47] **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 the Unit is \$1,362.00.

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

(sgd.) Andrew Cudmore

Andrew Cudmore
Residential Tenancy Officer

APPENDIX "A"			
Unit 223			
Revised Statement of Income & Expenses (Form 10)			
	Current Rent	5.0% Increase	Established Expenses
Rental Income			
Income (Lines 1 & 2)	\$16,024.32	\$16,825.56	
Vacancy/Arrears (Line 3)	\$0.00	\$0.00	
Net Income (Line 4)	\$16,024.32	\$16,825.56	
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)	\$2,822.13	\$2,822.13	\$2,822.13
Water & Sewer (Line 8)	\$581.09	\$581.09	\$581.09
Electricity (Line 9)	\$0.00	\$0.00	\$0.00
Insurance (Line 10)	\$1,027.00	\$1,027.00	\$1,027.00
Property Taxes (Lines 11, 12 & 13)	\$2,423.40	\$2,423.40	\$2,423.40
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	\$7,075.82	\$7,075.82	\$12,676.46
Annual Net Profit	\$8,948.50	\$9,749.74	
Return on Investment			
Value of Investment	\$132,000.00	\$132,000.00	
Net Profit	\$8,948.50	\$9,749.74	
Return on Capital Investment	6.8%	7.4%	

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.