

## INTRODUCTION

- [1] This decision addresses 21 applications filed with the Residential Tenancy Office (the “Rental Office”) under the *Residential Tenancy Act* (the “Act”).
- [2] The Landlord is requesting rent increases of 5.0%, which are 3.0% above the 2026 guideline of 2.0%.

## DISPOSITION

- [3] The evidence supports 5.0% rent increases for the Units, effective as set out below.

## BACKGROUND

- [4] The Units are 21 apartments in a 26-unit apartment building (the “Residential Property”) that the Landlord has owned since 2023.
- [5] On November 28, 2025, the Landlord served the Tenants with 21 *Form 8 Notice of Annual Allowable Rent Increase* and 21 *Form 9 Landlord Application to Request Additional Rent Increase* (the “Applications”).
- [6] On November 28, 2025, the Landlord filed 19 Applications with the Rental Office; however, the Landlord did not file the Applications for Units 105 and 305 until February 6, 2026.
- [7] On December 17, 2025, the Rental Office sent the Landlord and Tenants notice of a teleconference hearing scheduled for February 10, 2026.
- [8] On February 3, 2026, the Rental Office sent the parties a 656-page evidence package via TitanFile. On February 5, 2026, the Rental Office provided a paper copy of the evidence package to one Tenant.
- [9] On February 6, 2026, the Landlord re-served the Tenants in Units 105 and 305 with a *Form 8 Notice of Annual Allowable Rent Increase* and a *Form 9 Landlord Application to Request Additional Rent Increase* and filed the Form 9s with the Rental Office on February 6, 2026. I am satisfied that the February 6, 2026, re-service and filing for Units 105 and 305 complied with the Act's notice requirements and did not prejudice the affected tenants. These additional Form 9s are collectively included in the Applications.
- [10] On February 10, 2026, the Landlord's representative (the “Representative”) and three Tenants participated in a teleconference hearing. The Representative confirmed receipt of the evidence package and that it included all of the Landlord's materials. The Tenants submitted no documents.
- [11] On March 10, 2026, the Landlord submitted additional evidence (22 PDF documents and 17 spreadsheets), including an amended *Form 10 Landlord Statement of Income and Expenses* (the “Statement”).
- [12] On April 13, 2026, the Rental Office shared the Landlord's additional evidence with the Tenants via TitanFile, with a response deadline of April 20, 2026. No further submissions were received from the parties.

## ISSUE

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

[13] The current rents and proposed rents are as follows:

| Unit | Current Rent | Proposed Rent |
|------|--------------|---------------|
| 101  | \$1,266.47   | \$1,329.79    |
| 102  | \$1,038.35   | \$1,090.27    |
| 103  | \$1,048.58   | \$1,101.01    |
| 104  | \$1,039.37   | \$1,091.34    |
| 105  | \$872.62     | \$916.25      |
| 107  | \$1,043.46   | \$1,095.63    |
| 201  | \$1,162.13   | \$1,220.24    |
| 202  | \$1,048.58   | \$1,101.01    |
| 204  | \$1,053.69   | \$1,106.37    |
| 205  | \$885.92     | \$930.22      |
| 206  | \$1,038.35   | \$1,090.27    |
| 207  | \$902.29     | \$947.40      |
| 208  | \$1,063.92   | \$1,117.12    |
| 209  | \$1,060.85   | \$1,113.89    |
| 301  | \$1,309.44   | \$1,374.91    |
| 303  | \$1,301.26   | \$1,366.32    |
| 304  | \$1,053.69   | \$1,106.37    |
| 305  | \$863.41     | \$906.58      |
| 306  | \$1,077.22   | \$1,131.08    |
| 308  | \$1,063.92   | \$1,117.12    |
| 309  | \$1,062.90   | \$1,116.05    |

## ANALYSIS

### Additional Rent Increase – Factors to Consider

[14] I must consider the following factors in subsection 50(3) of the Act:

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 I consider relevant and reasonable;
3. The expectation of the Landlord to have a reasonable return on its capital investment; and
4. The expectation of the Tenants that rent increases will remain within the annual guideline.

[15] 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 does not apply because the Landlord purchased the Residential Property in 2023.

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

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

[17] In 2023, the allowable rent increase was 0.0%. On January 1, 2024, each Unit’s rent was increased by the 3.0% allowable rent increase for 2024. On January 1, 2025, each Unit’s rent was increased by the 2.3% allowable rent increase for 2025.

**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. The Landlord provided the operating expenses for the past three years in the Statement.
- [19] The Landlord did not list the fuel, municipal taxes, or capital expenditures in the column for two years ago, as the Landlord was unable to obtain this information from the previous landlord.
- [20] Each claimed expense was supported by testimony and documentary evidence, including statements, invoices, and spreadsheets, which corroborate the amounts. I find that the Landlord's operating expenses are reasonable and supported by the evidence. The evidence establishes that the Landlord's operating expenses increased over the relevant period. The Representative stated that the Landlord's expenses cover the period from November 1 to October 31 of each year.
- [21] The Landlord provided the income and expenses for the entire Residential Property in the Statement. However, since the Landlord is seeking rent increases for only 21 of the 26 units, I find it reasonable to use only the income attributable to those 21 Units and allocate expenses proportionally at 80% (21/26) of the Residential Property's total expenses.
- [22] I am satisfied that this approach reasonably reflects the portion of the Residential Property that is the subject of these Applications, as no evidence was provided indicating that the Units differ materially from the remaining units with respect to the expenses.
- [23] Other than the adjustments below, I accept the Landlord's evidence regarding the Statement. The adjusted Statement is set out in Appendix "A".

**Adjustments to the Statement**

- [24] The adjustments to the Statement are as follows:

**Income**

- a. Line 1 (Rental income): The Landlord claimed \$326,132.07 for the Residential Property. Based on the rental income attributable to the Units, this line is adjusted to \$267,077.04 in the current column and \$280,430.88 in the proposed column.
- b. Line 2 (Other income): The Landlord claimed \$1,169.10. This is adjusted to \$935.28, reflecting 80% of the income.

- [25] **Expenses**

- a. Line 5 (Interest payments on first mortgage): The Landlord claimed \$158,904.83. This is adjusted to \$127,123.86, reflecting 80% of the expense.
- b. Line 8 (Water/Sewerage): The Landlord claimed \$8,198.22. This is adjusted to \$6,558.58, reflecting 80% of the expense.
- c. Line 9 (Electricity): The Landlord claimed \$6,993.11. This is adjusted to \$5,594.49, reflecting 80% of the expense.
- d. Line 10 (Insurance): The Landlord claimed \$12,263.00. This is adjusted to \$9,810.40, reflecting 80% of the expense.

- e. Lines 11/12 (Provincial/Municipal property taxes): The Landlord added lines 11 and 12 together and claimed \$40,488.38. This is adjusted to \$32,390.70, reflecting 80% of the expense.
- f. Line 13 (Island Waste Management fees/additional garbage disposal): The Landlord claimed \$9,479.93. This is adjusted to \$7,583.94, reflecting 80% of the expense.
- g. Line 14 (Property management fees): Clause 1(c) of the Regulations defines "management fee" as the actual cost of the management fee or 5.0% of the gross rental income for the previous year, whichever is the lesser. Accordingly, the allowable amount is capped at the lesser of these two values, regardless of the Landlord's actual expense.
  - i. The Representative stated that the Landlord's claimed management fee of \$16,365.06 represented 5.0% of the Residential Property's gross rental income of \$327,301.17.
  - ii. The Representative stated that the Landlord's actual property management fees exceed the 5.0% cap allowed in the Regulations and that property management services are contracted to a third-party company.
  - iii. I find that the documentary evidence establishes that the Landlord's actual property management fees total \$18,391.12 for the Residential Property and \$14,712.90 for the Units. This supports the Representative's evidence that the Landlord's actual property management fees exceed the 5.0% cap allowed in the Regulations.
  - iv. In accordance with clause 1(c) of the Regulations, the allowable management fee is limited to the lesser of the actual cost or 5.0% of gross rental income. The evidence establishes that 5.0% of the Units' previous year's gross rental income (\$261,554.11) is \$13,077.71, and 5.0% of the current year's gross rental income (\$268,012.32) is \$13,400.62. This line is adjusted.
- h. Line 15 (Maintenance expenses): The Landlord claimed \$29,202.05. This is adjusted to \$23,361.64, reflecting 80% of the expense.
- i. Line 16 (Capital expenditures): The Landlord claimed \$4,560.00. The documentary evidence establishes that the capital expenditures should be \$9,183.21 for the Residential Property and \$7,346.57 (80%) for the Units. This line is adjusted.
- j. Line 17 (Other): The Landlord claimed \$19,089.88. The documentary evidence establishes that these expenses are for common area maintenance, landscaping, pest control, snow removal, telephone service, security, and welcome baskets for tenants. This is adjusted to \$15,271.90, reflecting 80% of the expense.

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

- [26] Clause 50(3)(c) requires that I consider the Landlord's expectation to have a reasonable return on its capital investment.
- [27] 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**

- [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.”*

**GAAP**

- [29] The Landlord provided a Generally Accepted Accounting Principles (GAAP) valuation of \$3,347,159.50 for the Residential Property, which includes the combined value of buildings, building improvements, land, and appliances. This valuation would assign each Unit a value of \$128,736.90, and a total value of \$2,703,474.50 for the Units in the Application.
- [30] I recognize that GAAP financial reporting is reliable for accounting purposes; however, I find that it does not establish a fair market value for the determination of clause 50(3)(c). GAAP is based on historical cost and depreciation, and depreciation accounting does not always reflect changes in real estate values over time. Depreciation accounting reduces asset values over time and does not necessarily reflect fair market value.
- [31] I note that the Regulations also state that operating costs exclude depreciation costs; however, this is only for the purposes of clause 50(3)(b) of the Act.

**Appraisal**

- [32] The Landlord submitted a May 2023 appraisal (the “Appraisal”), which assessed the market value of the Units at \$139,024.00 per Unit.
- [33] I find the Appraisal to be reliable evidence because it was prepared by a qualified, independent appraiser who used a recognized market valuation method.
- [34] No evidence was presented demonstrating any material variation in market value among the Units, and I therefore accept that a per-unit allocation of the Appraisal is reasonable for the purposes of these Applications.
- [35] Accordingly, I find that the fair market value of the Landlord’s capital investment for the purposes of clause 50(3)(c) is \$2,919,504.00 (\$139,024.00 x 21) based on the Appraisal evidence. I find the Appraisal evidence more accurate than the GAAP valuation because the Appraisal more directly reflects the Units’ current fair market value. In contrast, the GAAP valuation reflects historical accounting values that have been depreciated.

**Reasonable Return on Investment**

[36] 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."*

[37] Based on the net operating income and the appraised value of \$2,919,504.00, I calculate the Landlord's current ROI to be 5.04%, excluding mortgage interest from operating expenses in accordance with Order LR25-31.

[38] 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 5.48%. I find this projected ROI remains in the mid-range of the Commission's generally accepted range of 4.0% to 7.0%, as set out in Order LR25-31.

**Clause 50(3)(d) – expectation of tenants regarding the annual guideline**

[39] 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%.

[40] The Tenants who participated in the hearing stated that they were opposed to the additional rent increases.

**Weighing the Factors**

[41] I find that the evidence supports additional rent increases, resulting in a total increase of 5.0% for the Units.

[42] The Landlord's total operating expenses have increased over the past three years. Specifically, the evidence establishes a significant increase in mortgage interest expense over the past year. The Landlord has also incurred capital expenditures for the Units.

[43] The Landlord's ROI is currently 5.04%. With 5.0% rent increases for the Units, the Landlord would achieve an ROI of 5.48%.

[44] 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.

- [45] In this case, given the increase in operating expenses and the absence of prior additional rent increases during the three years preceding the Applications, I find that a 5.48% return on investment is reasonable. I find this return remains in the mid-range of the Commission's generally accepted reasonable ROI range.
- [46] I find that the factor in clause 50(3)(d) does not outweigh the other factors when determining the Applications.
- [47] The Landlord provided the Tenants with three months' notice of the rent increases, effective on the date noted below, in accordance with the Act.
- [48] After considering and weighing all of the statutory factors set out in subsection 50(3) of the Act, I find that the evidence supports rent increases above the annual allowable guideline, and the Applications are allowed.
- [49] **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 June 1, 2026, the maximum allowable rents for the Units are:

| Unit | Rent       |
|------|------------|
| 101  | \$1,329.79 |
| 102  | \$1,090.27 |
| 103  | \$1,101.01 |
| 104  | \$1,091.34 |
| 105  | \$916.25   |
| 107  | \$1,095.63 |
| 201  | \$1,220.24 |
| 202  | \$1,101.01 |
| 204  | \$1,106.37 |
| 205  | \$930.22   |
| 206  | \$1,090.27 |
| 207  | \$947.40   |
| 208  | \$1,117.12 |
| 209  | \$1,113.89 |
| 301  | \$1,374.91 |
| 303  | \$1,366.32 |
| 304  | \$1,106.37 |
| 305  | \$906.58   |
| 306  | \$1,131.08 |
| 308  | \$1,117.12 |
| 309  | \$1,116.05 |

**DATED** at Charlottetown, Prince Edward Island, this 30th 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        | Established Expenses |
|---|---------------------|---------------------|----------------------|
| <b>Income (Yearly)</b>                            |                     |                     |                      |
| Rental income at 100% occupancy (Line 1)          | \$267,077.04        | \$280,430.88        |                      |
| Other income (Line 2)                             | \$935.28            | \$935.28            |                      |
| Less vacancy / Arrears loss (Line 3)              | \$0.00              | \$0.00              |                      |
| Net Income (Line 4)                               | \$268,012.32        | \$281,366.16        |                      |
| <b>Expenses (Yearly)</b>                          |                     |                     |                      |
| Interest payments on first mortgage (Line 5)      | \$0.00              | \$0.00              | \$127,123.86         |
| 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)                           | \$6,558.58          | \$6,558.58          | \$6,558.58           |
| Electricity (Line 9)                              | \$5,594.49          | \$5,594.49          | \$5,594.49           |
| Insurance (Line 10)                               | \$9,810.40          | \$9,810.40          | \$9,810.40           |
| Provincial/Municipal property taxes (Lines 11/12) | \$32,390.70         | \$32,390.70         | \$32,390.70          |
| Island Waste Management fees/garbage (Line 13)    | \$7,583.94          | \$7,583.94          | \$7,583.94           |
| Property Management fees (Line 14)                | \$13,077.71         | \$13,400.62         | \$13,400.62          |
| Maintenance expenses (Line 15)                    | \$23,361.64         | \$23,361.64         | \$23,361.64          |
| Capital expenditures (Line 16)                    | \$7,346.57          | \$7,346.57          | \$7,346.57           |
| Other (Line 17)                                   | \$15,271.90         | \$15,271.90         | \$15,271.90          |
| <b>Total operating expenses (Line 18)</b>         | <b>\$120,995.93</b> | <b>\$121,318.84</b> | <b>\$248,442.71</b>  |
| <b>Net profit/loss (Line 19)</b>                  | <b>\$147,016.39</b> | <b>\$160,047.32</b> |                      |
| Value of Investment in Property                   | \$2,919,504.00      | \$2,919,504.00      |                      |
| Operating Income                                  | \$147,016.39        | \$160,047.32        |                      |
| <b>Return on Investment (ROI)</b>                 | <b>5.04%</b>        | <b>5.48%</b>        |                      |

## 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.