INTRODUCTION

[1] This decision addresses 24 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 “Residential Property” contains 35 rental units, 24 of which are the subject of these Applications. The Landlord has owned the Residential Property since 2023.

[5] On November 28, 2025, the Landlord served the Tenants with 24 *Form 8 Notice of Annual Allowable Rent Increase* and 24 *Form 9 Landlord Application to Request Additional Rent Increase* (the “Applications”).

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

Unit	Current Rent	Proposed Rent
2	$921.72	$967.81
3	$968.78	$1,017.22
4	$970.83	$1,019.37
5	$899.22	$944.18
6	$851.14	$893.70
9	$994.36	$1,044.08
10	$947.30	$994.67
11	$942.18	$989.29
12	$902.29	$947.40
13	$913.54	$959.22
14	$947.30	$994.67
15	$974.92	$1,023.67
17	$990.26	$1,039.77
18	$821.47	$862.54
19	$985.15	$1,034.41
20	$926.84	$973.18
22	$915.00	$960.75
23	$940.14	$987.15
27	$985.15	$1,034.41
28	$906.38	$951.70
29	$992.31	$1,041.93
31	$968.78	$1,017.22
32	$922.75	$968.89
33	$1,011.75	$1,062.34

[7] On December 28, 2025, the Rental Office sent the parties notice of a tele-hearing scheduled for February 6, 2026.

[8] On January 30, 2026, the Rental Office notified the parties that the hearing would be postponed.

[9] On February 6, 2026, the Rental Office sent the parties a second notice of a rescheduled tele-hearing for March 3, 2026.

[10] On February 26, 2026, the Rental Office sent the parties a third notice of a rescheduled tele-hearing for March 12, 2026.

[11] On March 3, 2026, the Rental Office sent the parties a 703-page PDF evidence package via TitanFile.

[12] On March 10, 2026, the Landlord submitted additional evidence to the Rental Office, including an amended *Form 10 Landlord Statement of Income and Expenses* (the "Statement").

[13] On March 11, 2026, the Rental Office notified the parties that the hearing would be postponed to allow the Tenants adequate time to review the Landlord's additional evidence.

[14] On March 19, 2026, the Rental Office sent the parties a fourth notice of a rescheduled tele-hearing for April 16, 2026.

[15] On March 19, 2026, the Rental Office sent the parties a 515-page PDF additional evidence package via TitanFile.

[16] On April 16, 2026, the Landlord's representative (the "Representative") and three Tenants participated in a tele-hearing. The parties confirmed receipt of the evidence package and the additional evidence package. The Representative stated that the evidence packages included all the Landlord's submitted materials. No written submissions were provided by any Tenants.

ISSUE

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

ANALYSIS

Additional Rent Increase – Factors to Consider

[17] 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.

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

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

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

[20] In 2023, the allowable rent increase was 0.0%. On January 1, 2024, each Unit's rent, except Unit 2, was increased by the 3.0% allowable rent increase for 2024. On March 1, 2024, the rent for Unit 2 was increased by 3.0%.

[21] On January 1, 2025, each Unit's rent, except Unit 2, was increased by the 2.3% allowable rent increase for 2025. On March 1, 2025, the rent for Unit 2 was increased by 2.3%.

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

[22] 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.

[23] The Landlord did not list the municipal taxes or capital expenditures in the "two-years-ago" column, as the Landlord was unable to obtain this information from the previous landlord. The Landlord did not claim any fuel expenses over the past year. Although some historical expense information before the Landlord's ownership was unavailable, I am satisfied that the available evidence is sufficient to reasonably assess the Applications.

[24] Each claimed expense was supported by testimony and documentary evidence, including statements, invoices, and supporting 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.

[25] 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 24 of the 35 units, I find it reasonable to use only the income attributable to those 24 Units and allocate expenses proportionally, using a rounded allocation of 69% (24/35) of the Residential Property's total expenses.

[26] I am satisfied that this approach fairly 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 rental units with respect to the expenses.

[27] 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

[28] The adjustments to the Statement are as follows:

Income

a. Line 1 (Rental income): The Landlord claimed $393,482.63. Based on the rental income attributable to the Units, this line is adjusted to $271,194.72 in the current column and $284,754.46 in the proposed column.

b. Line 2 (Other income): The Landlord claimed $2,322.87, which the Representative stated was for parking and any upgrades the Tenants requested. This is adjusted to $1,602.78, reflecting 69% of the income.

c. Line 3 (Less vacancy/Arrears loss): The Landlord claimed ($17,993.68). This is adjusted to ($12,415.64), reflecting 69% of the loss.

[29] **Expenses**

a. Line 5 (Interest payments on first mortgage): The Landlord claimed $213,910.31. This is adjusted to $147,598.11, reflecting 69% of the expense.

b. Line 8 (Water/Sewer): The Landlord claimed $7,867.46. This is adjusted to $5,428.55, reflecting 69% of the expense.

c. Line 9 (Electricity): The Landlord claimed $9,030.86. This is adjusted to $6,231.29, reflecting 69% of the expense.

d. Line 10 (Insurance): The Landlord claimed $16,470.43. This is adjusted to $11,364.60, reflecting 69% of the expense.

e. Lines 11/12 (Provincial/Municipal property taxes): The Landlord added lines 11 and 12 together and claimed $54,505.00. This is adjusted to $37,608.45, reflecting 69% of the expense.

f. Line 13 (Island Waste Management fees/additional garbage disposal): The Landlord claimed $9,431.25. This is adjusted to $6,507.56, reflecting 69% 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 Landlord claimed $18,890.59, which the Representative stated was 5.0% of the Residential Property's gross rental income of $377,811.82.

    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 $33,353.55 for the Residential Property and $22,871.01 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 gross rental income ($265,644.97) is $13,282.25 and that 5.0% of the Units' current year gross rental income ($272,849.25) is $13,642.46. I therefore adjust this line to reflect the applicable statutory cap.

h. Line 15 (Maintenance expenses): The Landlord claimed $33,677.05. This is adjusted to $23,237.16, reflecting 69% of the expense. The evidence establishes that these expenses are for appliance repairs, cleaning supplies, electrical work, fire safety, general materials, HVAC, locksmith services, painting, plumbing, and rental-unit turnover materials.

i. Line 16 (Capital expenditures): The Landlord claimed $4,327.85; however, the documentary evidence establishes that the Landlord omitted certain capital expenditures from the Statement. The documentary evidence establishes that the capital expenditures should be $8,197.42 for the Residential Property and $5,656.22 (69%) for the Units. This is for a hot water tank replacement, flooring, and 11 appliance replacements, which I consider capital expenses under the Regulations because they involve replacing assets rather than routine repairs.

j. Line 17 (Other): The Landlord claimed $33,557.71. This is adjusted to $23,154.82, reflecting 69% of the expense. The evidence establishes that this is for common-area maintenance, landscaping, pest control, phone service, security, shop tools and supplies, snow removal, and welcome baskets for tenants.

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

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

[31] 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

[32] The Landlord provided a Generally Accepted Accounting Principles (GAAP) valuation of $4,510,831.33 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 $128,880.90, and a total value of $3,093,141.48 for the Units in the Application.

[33] 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.

[34] 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

[35] The Landlord submitted a May 2023 appraisal (the "Appraisal"), which assessed the market value attributable to each Unit as $139,024.00.

[36] I find the Appraisal to be reliable evidence because it was prepared by a qualified, independent appraiser who used a recognized market valuation method.

[37] I accept that the Units are substantially similar and that no evidence was provided indicating any material variation in market value between the Units. I therefore find that a per-unit allocation of the Appraisal is reasonable for determining the Applications.

[38] Accordingly, I find that the fair market value of the Landlord's capital investment for the purposes of clause 50(3)(c) is $3,336,576.00 ($139,024.00 x 24) 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

[39] 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."*

[40] Based on the net operating income and the appraised value of $3,336,576.00, I calculate the Landlord's current ROI to be 3.83%, excluding mortgage interest from operating expenses in accordance with Order LR25-31. This is below the Commission's generally accepted range of 4.0% to 7.0%.

[41] 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 4.23%. I find that this projected ROI falls on the lower end of the Commission's generally accepted range of 4.0% to 7.0%.

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

[42] 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%.

[43] The Tenants who participated in the hearing stated they were opposed to the additional rent increases. The reasons cited were the lack of building upgrades and maintenance, and wanting to keep their rents affordable.

Weighing the Factors

[44] I find that the evidence supports additional rent increases, resulting in a total increase of 5.0% for the Units. The Landlord's total operating expenses have increased over the past three years. The Landlord has incurred capital expenditures for the Units. The Landlord's ROI is currently 3.83%, and with 5.0% rent increases for the Units, the Landlord would achieve an ROI of 4.23%.

[45] 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.

[46] The Landlord's current ROI is currently below the accepted range. The evidence establishes increasing operating expenses and capital expenditures that would reduce the Landlord's return absent additional rent increases. In the circumstances, permitting rent increases that result in a projected ROI of 4.23% is reasonable and consistent with the Commission's accepted range.

[47] I find that, despite the Tenants' objection to the rent increases, the factor in clause 50(3)(d) does not sufficiently outweigh the other factors in determining the Applications, for the reasons noted above.

[48] The Landlord provided the Tenants with three months' notice of the rent increases, effective as of the date noted below in accordance with the Act.

[49] 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.

[50] **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
2	$967.81
3	$1,017.22
4	$1,019.37
5	$944.18
6	$893.70
9	$1,044.08
10	$994.67
11	$989.29
12	$947.40
13	$959.22
14	$994.67
15	$1,023.67
17	$1,039.77
18	$862.54
19	$1,034.41
20	$973.18
22	$960.75
23	$987.15
27	$1,034.41
28	$951.70
29	$1,041.93
31	$1,017.22
32	$968.89
33	$1,062.34

DATED at Charlottetown, Prince Edward Island, this 21st day of May, 2026.

(sgd.) Mitch King

Mitch King

Residential Tenancy Officer

APPENDIX "A"

Revised Statement of Income & Expenses (Form 10)

	Current ROI	Proposed ROI	Established Expenses
Rental Income			
Rental Income at 100% (Line 1)	$271,194.72	$284,754.46	
Other income (Line 2)	$1,602.78	$1,602.78	
Vacancy Arrears/Losses (Line 3)	($12,415.64)	($12,415.64)	
Income before expenses (Line 4)	**$260,381.86**	**$273,941.60**	
Expenses			
1st Mortgage Interest (Line 5)	$0.00	$0.00	$147,598.11
2nd Mortgage Interest (Line 6)	$0.00	$0.00	$0.00
Fuel (Line 7)	$0.00	$0.00	$0.00
Water & Sewer (Line 8)	$5,428.55	$5,428.55	$5,428.55
Electricity (Line 9)	$6,231.29	$6,231.29	$6,231.29
Insurance (Line 10)	$11,364.60	$11,364.60	$11,364.60
Property Tax (Provincial/Municipal) (Lines 11/12)	$37,608.45	$37,608.45	$37,608.45
Island Waste Management Fees/garbage (Line 13)	$6,507.56	$6,507.56	$6,507.56
Property Management Fees (Line 14)	$13,282.25	$13,642.46	$13,642.46
Maintenance Expenses (Line 15)	$23,237.16	$23,237.16	$23,237.16
Capital Expenditures (Line 16)	$5,656.22	$5,656.22	$5,656.22
Other (Line 17)	$23,154.82	$23,154.82	$23,154.82
Total Operating Expenses (Line 18)	**$132,470.90**	**$132,831.12**	**$280,429.23**
Net Profit or (Loss) (Line 19)	**$127,910.96**	**$141,110.48**	
Value of Investment in Property	$3,336,576.00	$3,336,576.00	
Operating Income	**$127,910.96**	**$141,110.48**	
Return on Investment (ROI)	**3.83%**	**4.23%**	

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.