

INTRODUCTION

- [1] This decision addresses an application the Landlord filed with the Residential Tenancy Office (the "Rental Office") under the *Residential Tenancy Act*, cap. R-13.11 (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%.
- [3] The Unit's rent is \$1,340.00 and the last rent increase was effective June 1, 2025.

BACKGROUND

- [4] The Unit is a three-bedroom, and one-bathroom half of a side-by-side duplex owned by the Landlord since 2021.
- [5] On February 27, 2026, the Landlord e-mailed the Tenant and the Rental Office a *Form 9 Landlord Application to Request Additional Rent Increase* (the "Application"). The Landlord also provided the Tenant and the Rental Office a *Form 8 Notice of Annual Allowable Rent Increase* (the "Notice").
- [6] The Application requests a 5.0% rent increase effective June 1, 2026.
- [7] On May 25, 2026, the Rental Office sent the parties notice of a tele-hearing scheduled for June 16, 2026.
- [8] On June 8, 2026, the Rental Office provided the parties with a 69-page PDF evidence package. The evidence package included the Landlord's *Form 10 Landlord Statement of Income and Expenses* (the "Statement").
- [9] On June 16, 2026, the Landlord's representative (the "Representative") participated in the tele-hearing. The Tenant did not participate in the tele-hearing. During the hearing, it was determined that there were two tabs of an excel spreadsheet omitted from the evidence package. The Landlord stated that despite the two tabs, all documents submitted to the Rental Office were included in the evidence package.
- [10] Immediately following the tele-hearing, the two excel spreadsheet tabs were e-mailed to the Tenant. The Tenant responded to the e-mail stating:

*"For my reply do I respond to this or I just wait for the next time we talk.
I do have a response for why I don't think the rent should increase but if it's already decided just want to know or if I get the change to respond to this please let me know.
Thank you."*

- [11] The Rental Office e-mailed the Tenant, requesting any written response be submitted by 2:00 p.m. June 23, 2026.
- [12] The Tenant did not submit any written response.

DISPOSITION

- [13] The Landlord's evidence supports a 5.0% rent increase for the Unit effective June 1, 2026.

ISSUE

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

ANALYSIS & FINDINGS

Additional Rent Increase – Factors to Consider

- [14] The Landlord is required to prove, on a balance of probabilities, that an additional rent increase above the annual allowable guideline is supported by the evidence. This means that there must be convincing evidence to support the Landlord's additional rent increase request.
- [15] In order to determine the Application, I must consider the listed factors in subsection 50(3) of the *Act* and section 4 of the *Residential Tenancy Regulations* (the "*Regulations*"), 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.
- [16] Further, subsection 50(4) of the *Act* provides that I have the discretion to consider any other factor and any factor prescribed in the *Regulations*. The *Regulations* state that the purchase of the Unit should not require increases in rent within the first year in order to achieve a reasonable return on the Landlord's capital investment. In this case, I find that this factor is not relevant to the Application because the Landlord purchased the Unit in 2021.

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

- [17] This factor requires that I consider the rent history for the Unit in the three years preceding the date of the Application. In this case, the three preceding years are 2025, 2024 and 2023.
- [18] The Representative stated that the last rent increase occurred on June 1, 2025, and was a 5.3% rent increase approved by the Rental Office in Order LD25-187.
- [19] The Unit also received a 6.0% rent increase on June 1, 2024, approved by the Rental Office in Order LD24-133.
- [20] The Unit did not receive a rent increase in 2023 because the legislated annual allowable percentage for 2023 was 0.0% under subsection 23(1.1) of the *Rental of Residential Property Act* and subsection 49(4) of the *Act*. The Landlord did not apply to the Rental Office seeking an additional rent increase above the annual allowable guideline for 2023.

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

- [21] This factor requires that I consider a change in operating expenses and capital expenditures for the three years preceding the date the Application that I consider relevant and reasonable.
- [22] The Landlord provided the operating expenses and capital expenditures for the past three years in the Statement.
- [23] The Representative stated that the interest payments have decreased because of accelerated payments, but insurance and property taxes have continued to increase yearly.

- [24] The Representative stated that the property management expense is approximately \$3,000.00 annually, but is adjusted in the Statement to represent 5.0% of the gross annual income for the Residential Property.
- [25] The Representative stated that the general maintenance for the Unit was down compared to other years. The Landlord claimed a maintenance expense in 2025 of \$316.00, and was related to pest management and power lines for the Unit.

Adjustments to the Statement

- [26] The revised Statement is detailed in Appendix "A" of this decision ("Revised Statement"), which is based upon the Landlord's costs in the most recent twelve-month period in the Statement except as provided below.

Income

- [27] The income is based upon the annual current and proposed rents.

Expenses

- [28] The Landlord's documentary evidence details the expenses for the Residential Property. However, the Statement discloses only the expenses related to the Unit, which is generally half of the expenses for the Residential Property.
- [29] Property management fees (Line 14): subsection 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 amounts, despite the Landlord's actual management expenses.
- i. The Landlord claimed \$790.00, which the Representative stated was 5.0% of the Unit's gross rental income for 2025 (\$15,740.00).
 - ii. The Representative stated that Landlord's actual property management costs exceed the 5.0% cap.
 - iii. The evidence establishes that the Landlord's property management costs are \$3,027.95 for the Residential Property and \$1,513.98 for the Unit.
 - iv. In accordance with subsection 1(c) of the *Regulations*, the allowable management fee for the Statement is limited to 5.0% of the gross rental income for the Unit. Therefore, 5.0% of the gross rental income (\$15,740.00) is \$787.00, and that 5.0% of the Unit's proposed gross rental income (\$16,884.00) is \$844.20. Line 14 is adjusted accordingly.
- [30] Maintenance expenses (Line 15): the Landlord claimed \$316.00 in maintenance expenses for the previous twelve-months. The Landlord's evidence includes notes in a ledger referencing "*pest management*" and "*anchors for a power line*." However, I find that there is no evidence that supports these expenses, such as invoices or receipts. Therefore, these maintenance expenses are not accepted, and Line 15 is adjusted to \$0.00.
- [31] Capital expenditures (Line 16): subsection 5(a) of the *Regulations* defines "*capital expenditures*" as "*including expenditures for replacement of plumbing, electrical or heating systems, or appliances, and major structural repairs*." The capital expenditures claimed are as follows:

Item	Year completed	Cost	Life Expectancy	Yearly Expense
Convert oil to electric heat	2021	\$12,890.00	10 years	\$ 1,289.00
Oil tank removal	2021	\$ 1,265.00	10 years	\$ 126.50
Cracked foundation repair	2021	\$ 1,250.00	10 years	\$ 125.00
New roof	2024	\$ 5,188.00	20 years	\$ 259.00
			Total:	\$1,799.50

- [32] I find that the listed capital expenditures fit the definition under subsection 5(a). However, I adjust the yearly expense to \$1,799.50, due to a \$0.50 miscalculation/rounding error.
- [33] Other expenses (Line 17): the Landlord claimed \$1,278.00 in “other” expenses. The Landlord’s evidence includes a note in a ledger listing: “*accounting and legal professional fees, snow removal expenses, banking fees and lawn cutting expenses.*” However, I find that the Landlord’s evidence only supports the lawn cutting expenses. Therefore, the “other” expenses are adjusted to reflect only the lawn cutting expenses, in the total amount of \$414.00.

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

- [34] This factor requires that I consider the Landlord’s expectation to have a reasonable return on its capital investment.
- [35] In order to determine return on investment (“ROI”), I must first determine the value of the Landlord’s capital investment – the Unit.

Value of capital investment

- [36] 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.

- [37] The Landlord’s evidence included a 2022 appraisal of the Residential Property completed by Century 21 Colonial Realty Inc. The market value of the Residential Property was \$570,000.00, representing a \$285,000.00 valuation for the Unit.
- [38] The Landlord’s evidence also included the 2025 provincial tax assessment valuing the Residential Property at \$455,400.00, representing a \$227,700.00 valuation for the Unit.

- [39] As stated in Order LR25-31, valuing a landlord's capital investment is done on a case-by-case basis. In this case, I have used the 2022 third-party appraisal, completed by Century 21 Colonial Reality Inc.
- [40] I find that provincial tax assessments are generally a conservative valuation of residential properties. In this case, the 2025 assessment valuation is less than the appraisal's valuation completed in 2022. I am satisfied that relying on the 2022 third-party appraisal provides the best available and most accurate representation of the value of the Landlord's capital investment.

Reasonable return on investment

- [41] In Order LR25-31, the Commission commented regarding a landlord's ROI, stating in part:

[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.

- [42] 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.
- [43] Based on the evidence presented, the Landlord's ROI is currently 2.5% and after calculating the proposed rent increase and including the adjustments on the Revised Statement, the Landlord's ROI would increase to 2.9%.
- [44] I find that the Landlord's ROI is below the 4.0% to 7.0% range of a reasonable ROI on the Landlord's capital investment.

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

- [45] This factor requires that I consider the Tenant's expectation that rent increases will remain within the annual guideline. In 2026, the annual guideline is 2.0%.
- [46] The evidence presented establishes that the Unit has received an additional rent increase above the annual guideline in two of the preceding three years (5.3% in 2025 and 6.0% in 2024).
- [47] Although the Tenant did not participate in the tele-hearing and did not submit any written responses, I find that the Tenant's post-hearing communication to the Rental Office indicate she disputes a rent increase for 2026.

CONCLUSION

- [48] After considering and weighing all the factors and the evidence presented, I find that the evidence supports a 3.0% additional rent increase above the annual allowable guideline for 2026, for a total rent increase of 5.0%. The Application is allowed.
- [49] The Landlord has received two approved additional rent increases in the past three years (June 2025 and June 2024). Further, the Tenant has stated that she disputes the rent increase. I find that the Tenant would not expect to have three additional rent increases above the annual allowable guideline in a row. These factors weigh against the Application's approval.

- [50] However, the evidence presented also establishes that the Landlord's operating expenses, particularly the insurance, property taxes, "other" expenses have increased over the past three years. Further, the evidence establishes that the Landlord has invested significant money into capital expenditures for the Unit since the Landlord purchased the Unit in 2021.
- [51] I further find that the Landlord's ROI is below what is reasonably expected based on a 2022 appraisal. These factors weigh in favour of the Application's approval.
- [52] I find that the Landlord's evidence supports a 5.0% rent increase to reflect the increased operating expenses, capital expenditures invested in the Unit and to bring the Landlord closer to a reasonable ROI, despite the Landlord receiving two additional rent increases in the previous two years.
- [53] **This decision contains sensitive information and the parties are required to preserve its confidentiality under subsection 75(3) of the Act.**

The effective date of the rent increase

- [54] The Application requests the rent increase to be effective June 1, 2026.
- [55] During the tele-hearing, the Representative requested that the rent increase be retroactively ordered to June 1, 2026, as requested on the Application.
- [56] I find that the Landlord provided the Tenant with three months notice, serving the Application and the Notice to the Tenant on February 27, 2026, in accordance with the *Act*.
- [57] In Order LR24-13, the Commission determined that should an application for a rent increase that had adequate notice to the Tenant be delayed, and should the Landlord not be responsible for such delay, that the Landlord had the right to request a retroactive application towards the date of the rent increase, as outlined in the application made by the Landlord.
- [58] In this case, I find that the Application and the Notice was served to the Tenant on February 27, 2026 and the tele-hearing was scheduled and heard on June 16, 2026. I do not find that any procedural delays were the fault of the Landlord. A 5.0% rent increase is approved effective June 1, 2026.

IT IS THEREFORE ORDERED THAT

1. Effective June 1, 2026, the Unit's maximum allowable monthly rent is \$1,407.00.

DATED at Charlottetown, Prince Edward Island, this 24th day of June, 2026.

(sgd.) Cody Burke

Cody Burke
Residential Tenancy Officer

APPENDIX "A"			
Revised Statement of Income & Expenses (Form 10)			
	<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Established Expenses</u>
Rental Income			
Rental Income at 100% (Line 1)	\$15,740.00	\$16,884.00	
Other income (Line 2)	\$0.00	\$0.00	
Vacancy Arrears/Losses (Line 3)	\$0.00	\$0.00	
Net Income before expenses (Line 4)	\$15,740.00	\$16,884.00	
Expenses			
1st Mortgage Interest (Line 5)	\$0.00	\$0.00	\$714.00
2nd Mortgage Interest (Line 6)	\$0.00	\$0.00	\$0.00
Fuel (Line 7)	\$0.00	\$0.00	\$0.00
Water & Sewer (Line 8)	\$549.00	\$549.00	\$549.00
Electricity (Line 9)	\$0.00	\$0.00	\$0.00
Insurance (Line 10)	\$1,185.00	\$1,185.00	\$1,185.00
Property Tax (Provincial) (Line 11)	\$2,085.97	\$2,085.97	\$2,085.97
Property Tax (Municipal) (Line 12)	\$1,525.59	\$1,525.59	\$1,525.59
Island Waste Management Fees (Line 13)	\$219.00	\$219.00	\$219.00
Property Management Fees (Line 14)	\$787.00	\$844.20	\$787.00
Maintenance Fee (Line 15)	\$0.00	\$0.00	\$0.00
Capital Expenditures (Line 16)	\$1,799.50	\$1,799.50	\$1,799.50
Other (Line 17)	\$414.00	\$414.00	\$414.00
Total Operating Expenses (Line 18)	\$8,565.06	\$8,622.26	
Net Profit or (Loss) (Line 19)	\$7,174.94	\$8,261.74	
Value of Investment in Property	\$285,000.00	\$285,000.00	
Net Profit	\$7,174.94	\$8,261.74	
Return on Investment (ROI)	2.5%	2.9%	

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.