INTRODUCTION

[1] This decision determines 15 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 Units' rents will increase by 5.0% effective July 1, 2026, except for units 10, 14 and 15 (the "Three Units"), which will increase by the annual allowable 2.0%.

BACKGROUND

[4] The Units are located in an 18-unit building (the "Residential Property") that was built in 1977. The Landlord purchased the Residential Property on December 30, 1980.

[5] On February 23, 2026, the Landlord filed 15 *Form 9 Landlord Application to Request Additional Rent Increase* (the "Applications") with the Rental Office. The Landlord also provided the Rental Office with 15 *Form 8 Notice of Annual Allowable Rent Increase*.

[6] The Applications request the following rent increases:

Unit	Current Rent	Proposed Rent
1	$842.95	$885.10
3	$798.18	$838.09
5	$842.95	$885.10
6	$691.75	$726.34
7	$895.64	$940.42
8	$895.64	$940.42
9	$790.27	$829.78
10	$818.40	$859.32
11	$895.64	$940.42
12	$895.64	$940.42
13	$895.64	$940.42
14	$920.70	$966.73
15	$835.00	$876.75
16	$790.27	$829.78
17	$895.64	$940.42

[7] On May 12, 2026, the Rental Office sent the parties notice of a tele-hearing scheduled for May 28, 2026.

[8] On May 21, 2026, the Rental Office provided the parties with access to a 451-page PDF evidence package ("EP") through TitanFile. The evidence package included the Landlord's *Form 10 Landlord Statement of Income and Expense* (the "Statement").

[9] On May 25, 2026 an additional Landlord email was added to the evidentiary record.

[10] On May 28, 2026, the Landlord's representative (the "Representative") and one of the Tenants participated in a tele-hearing. The Representative and the tenant confirmed that they were not aware of any missing documents in the evidence package that were previously submitted to the

Rental Office. The Landlord provided additional evidence regarding the Three Units' rent history after the tele-hearing.

ISSUE

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

ANALYSIS

Additional Rent Increase – Factors to Consider

[11] 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.

[12] 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 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 Units since 1980.

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

[13] Clause 50(3)(a) requires that I consider the rent history for the Units in the three years preceding the date of the Applications. The Applications were filed on February 23, 2026 and therefore I will consider rent increases from February 23, 2023 onwards.

[14] On March 15, 2023 Order LD23-096 was issued which increased 12 of the Units' rents by an average of 8.12% effective April 1, 2023.

[15] The Landlord provided the three-year rent history for the 15 Units, which shows the rents increasing by the 2024 allowable of 3.0% and the 2025 allowable of 2.3%, except for the Three Units, which have a higher rent increase history.

[16] 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*. The Representative stated that in 2023 the Island Regulatory and Appeals Commission (the "Commission") approved a 10.8% rent increase for residential properties with furnace oil heating included in the rent (see Commission Order LR22-54[1]).

[17] The Landlord increased most of the Units' rents by the allowable percentage in 2024 and 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.

[1] https://irac.pe.ca/wp-content/uploads/Order-LR22-54.pdf

[19] The Landlord provided the operating expenses for the past three years in the Statement.

[20] In 2025 the Landlord's mortgage interest rate increased from 3.18% to 5.45%, thereby increasing the interest cost.

[21] The Landlord's property taxes cost and Island Waste Management Corporation fees increased by over $2,000.00 from $28,709.00 in 2025 (EP126) to $30,767.91 in 2026 (EP443).

[22] The Statement shows that the Landlord's heating costs have decreased in the Statement's last twelve months compared to two years ago. However, the Representative testified regarding recent furnace oil price increases.

Adjustments to the Statement

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

[24] The rental income is based upon the annual current and proposed rents.

[25] The Statement was completed for all 18 rental units in the Residential Property. The other income and expenses in the Statement are pro-rated in the Revised Statement for 15 out of 18 units.

[26] The Landlord provided the most recent property tax document and these numbers are used in the Revised Statement.

[27] The Landlord provided four fuel statements for fuel deliveries to the Residential Property from February 4, 2025 to January 25, 2026 totaling $8,576.90 (EP 120 to 123). The amount attributable to the Units is $7,147.42.

[28] The Landlord included an additional furnace oil invoice dated January 2, 2026 in the amount of $8,514.24 (EP225). However, this invoice identifies a different company as the payee and the fuel deliveries cover part of the same period as the Landlord's other invoices. As a result, I have excluded this cost in the Revised Statement.

[29] The Landlord provided evidence regarding three quarters of water and sewer costs in the amount of $1,077.73, $1,113.93 and $1,133.19. I estimate that the annual cost for the Residential Property is $4,433.13 based upon the average cost over three quarters. The amount of $3,694.28 is attributed to the Units.

[30] The Representative stated that the City of Charlottetown had a computer program issue and the actual cost in the most recent twelve-month period should have been around $5,200.00 to $5,400.00. However, in the absence of additional statements showing the recent water and sewer cost, I have insufficient evidence regarding these higher amounts.

[31] The Landlord provided electricity statements from December 2, 2024 to December 2, 2025 for a general service account, which total $4,785.81 for the Residential Property. I attribute the amount of $3,988.18 to the Units.

[32] The Landlord submitted a certificate of insurance showing a cost in the amount of $8,041.00 (EP102). I attribute the amount of $6,700.83 to the Units.

[33] There are a number of costs in the Landlord's evidence that are not maintenance expenses relevant to the Applications. These expenses have been excluded from the Revised Statement.

[34] A number of the invoices list a different corporate landlord as a payee. At the tele-hearing the Representative stated that this company has different ownership than the Landlord.

[35] Other invoices have deliveries to addresses other than the Residential Property.

[36] There are some duplicate copies of maintenance documents.

[37] The evidence includes larger costs for Unit 2, which is not a rental unit included in the Applications. These invoices have been excluded in the Revised Statement and the maintenance cost adjustment is for 15 out of 17 units instead of 15 out of 18 units.

[38] Maintenance is defined in subsection 1(b) of the *Regulations* as:

> *"maintenance" includes repairs to plumbing, electrical or heating systems, appliances, and minor structural repairs, but does not include capital expenditures or expenditures related to replacement of capital assets;*

[39] There are some costs that are line 17 other expenses, such as lawn care and snow removal.

[40] After excluding these amounts, the maintenance cost for 17 of the Residential Property's rental units totals $3,362.87. The amount of $2,967.24 ($3,362.87 multiplied by 15 and divided by 17).

[41] The Landlord's other costs for lawn care, snow removal, cleaning, appraisal, phone and intercom total $13,132.64 for the Residential Property. The amount of $10,943.87 is attributed to the Units ($13,132.53 multiplied by 15 and divided by 18).

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

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

[43] In order to determine return on investment ("ROI"), I must first determine the value of the Landlord's capital investment.

Value of capital investment

[44] In Order LR25-31[2], 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…*

[2] https://irac.pe.ca/wp-content/uploads/Order-LR25-31.pdf

> *[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."*

[45] As stated in Order LR25-31, valuing a landlord's capital investment will be done on a case-by-case basis.

[46] The Landlord submitted into evidence a professional appraisal which valued the Residential Property from $1,706,000.00 to $2,340,000.00 depending on the calculation method used. The appraiser determined that the Residential Property's final value estimate was $2,000,000.00. After review of the appraisal and the Landlord's other evidence, I accept the appraised value of $2,000,000.00, with $1,666,666.67 attributed to the Units.

Reasonable return on investment

[47] 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."*

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

[49] Based upon the evidence presented, the Landlord's ROI for the Units is currently 5.4%. After including the proposed rent increases, the Landlord's ROI would increase to 5.8%.

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

[50] 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%.

[51] The Tenants did not provide documentary evidence regarding the proposed increase. The tenant that participated in the hearing did not have any comments.

[52] The Representative stated that some of the Tenants recognize that they are renting in an area conveniently close to downtown Charlottetown at a rental rate that is about 30% below market for comparable properties.

DETERMINATION

[53] I have reviewed the evidence provided. I turn first to the Units' rent history.

[54] The approved 2023 rent increase in Order LD23-096 occurred at a time when there was a significant increase in operating costs. I also note that the average permitted rent increase in Rental Office Order LD23-096 was below what the Commission permitted in Order LR22-54, the decision that established the 2023 annual allowable percentage.

[55] With regard to the Three Units' rent history, similar circumstances arose in an earlier decision, Commission Order LR26-06[3].

[56] Three landlords had filed an application for additional rent increases for five units in a building that the landlords had recently purchased. The rent charged for one of the units was $850.00 and the proposed rent was $895.00. It appeared that the rent had previously been increased in 2024 from $577.00 to $850.00.

[57] The Rental Office issued an additional rent increase order on November 19, 2025, which essentially reduced the unit's base rent to $577.00. The Rental Office ordered that the unit's rent was increased to $608.00, which essentially included a 3.0% increase from $577.00 for 2024 and a 2.3% increase for 2025.

[58] The landlords appealed the Rental Office decision to the Commission and the appeal was allowed. The Commission considered the procedural fairness implications of reducing the rent that the landlords could charge when there was no application for an unlawful rent increase. The only applications were the landlords' applications for additional rent increases. The Commission stated in part as follows:

> *"23. Unauthorized rent increases are prohibited by the Residential Tenancy Act. The scheme is quite clear that landlords can only increase rent in accordance with the provisions of the Act. Nevertheless, for the reasons that follow, the Commission must overturn the finding in Order LD25-405 with respect to the unauthorized increase of Unit 5.*
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> *24. First, parties in administrative proceedings are entitled to notice of the matters in issue and the proposed decision to be made so that the parties can be prepared to present relevant information and submissions. Fairness requires that the parties have notice of the matters that will be heard and decided. In the present case, the Landlords were applying for a greater than allowable rent increase. The evidence before the Commission suggests that the matter of the lawful rent for Unit 5 was raised for the first time with the Landlords via email after the hearing at the Rental Office. Generally speaking, the question of an unauthorized rent increase would come before the Rental Office by an application by a tenant or former tenant, where a landlord would be fully aware of the question to be decided. However, that was not the case in the present circumstances.*
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> *25. Second, Order LD25-405 found that there was "insufficient evidence" to demonstrate that the previous landlord obtained an authorized rent increase. However, the Order does not outline what evidence was considered or what steps were taken to confirm (or not) any prior authorized rent increase. In the Commission's opinion, Order LD25-405 does not include sufficient reasons with respect to the finding of lawful rent to allow the Commission to carry out its appellate function on review.*
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> *26. On the Commission's own review of the of evidence that was before the Rental Office, we find the evidence to be lacking. For example, there was no evidence from the prior landlord (or tenant) as to whether application was made for an authorized increase, no evidence about the nature of the renovations, nor any discussion about whether the services or facilities included in the rent may have changed.*
>
> *27. The Commission is an intermediate appellant tribunal with some latitude to cure procedural and evidentiary defects in the original hearing. The Commission understands the desire to identify and remedy unauthorized rent increases on the part of the Rental Office. However, in this case, the Commission is of the opinion that the defect in fairness is of such a degree that the Commission's appeal process is not a cure.[1]* [*Perry v. Kings Square Affordable Housing Corporation*, 2023 PESC 32, at para 37.] *For example, while*

[3] https://irac.pe.ca/wp-content/uploads/Order-LR26-06.pdf

the matter was before the Commission on appeal, the Landlords did not have a fair opportunity to address the question before the first instance decision-maker, being the Rental Office. The Commission, therefore, finds it would not be appropriate to hear the question for the first time on appeal. In conclusion, the Commission finds that there is insufficient evidence on the record to make any finding about the lawful rent for Unit 5. Compounded with the lack of notice to the Landlords that this issue would be heard and decided, the Commission finds that finding must be overturned.

28. As a final note on this issue, the Commission notes that the Director is authorized under the Act to conduct investigations to ensure compliance with the Act. Further, tenants may also make application to the Rental Office pursuant to section 75 of the Residential Tenancy Act to seek a return of rent as a result of an unauthorized rent increase.

29. As new landlords, the Commission encourages the Landlords to review the Residential Tenancy Act and educate themselves about lawful rent increases in accordance with the Act."

[59] The Commission found that the defect in fairness regarding the rent reduction was of such a degree that it could not be cured through the Commission's appeal process (para. 27).

[60] The Commission's finding was made in the context of a re-hearing. In Order LR26-20[4] (para. 33) the Commission described their discretion to receive and accept new evidence and information through the re-hearing process as follows:

"An appeal to the Commission, per subsection 89(8) of the Residential Tenancy Act, is heard by way of a re-hearing, and the Commission has the discretion to receive and accept new evidence and information, and to make any decision or order that the Director is authorized to make. The statutory requirement for a re-hearing requires that the Commission make its own decision based on the entire record."

[61] In the case before me, the Applications are solely for additional rent increases. There are no tenant applications alleging unlawful rent increases. The issue regarding the Three Units' rent history only arose after the tele-hearing ended.

[62] In these circumstances, I find that it would be procedurally unfair to reduce the Three Units' rents regarding any non-compliance with Part 3 (sections 47 to 50) of the *Act*.

[63] However, I must consider the Three Units' rent history for the three years before the date of the Applications, as mandated by clause 50(3)(a). The Three Units' rent history is the following:

The Three Units - Rent History			
Unit Number	10	14	15
LD23-096 (April 2023)	$750.00	$850.00	$750.00
Percentage Increase	0.00%	5.88%	0.00%
2023	$750.00	$900.00	$750.00
Percentage Increase	6.67%	0.00%	11.33%
2024	$800.00	$900.00	$835.00
Percentage Increase	2.30%	2.30%	0.00%
2025	$818.40	$920.70	$835.00
Percentage Increase	5.00%	5.00%	5.00%
Proposed 2026	$859.32	$966.73	$876.75

[4] https://irac.pe.ca/wp-content/uploads/Order-LR26-20.pdf

[64] The rent history of the Three Units weighs against additional rent increases. The Landlord has already received rent increases above the allowable percentage in 2023 and 2024. I apply more weight to this factor for the Three Units compared to the other (twelve) Units.

[65] I have reviewed the Landlord's evidence regarding expenses.

[66] Many of the Landlord's costs have been increasing, particularly mortgage interest, property taxes and insurance. Although the Landlord's Statement shows that the maintenance expenses have decreased, I am not satisfied that any decreases are attributable to the Units in light of the invoices and receipts submitted into evidence that are excluded in the Revised Statement. Although furnace oil costs have decreased from two years ago, the Representative testified regarding how the fuel prices have been recently increasing.

[67] The Tenants did not participate in the tele-hearing regarding their expectations that the 2026 rent increase would be within the annual allowable guideline of 2.0%. The only tenant that participated did not make any comments.

[68] The Landlord's return on investment for the Units is 5.4% at the currently charged rents, increasing to 5.8% at the proposed rents. Therefore, the Landlord's return on investment would remain below the 7.0% upper range that the Commission has considered reasonable in earlier decisions.

[69] Accordingly, I find that the rents for 12 of the Units will increase by 5.0% effective July 1, 2026. I find that the additional rent increases for the Three Units are denied because of their differing rent history, with additional recent increases above the annual allowable percentage.

[70] The Landlord has served *Form 8 Notice of Annual Allowable Rent Increase* for the Units. Therefore, the rents for the Three Units will increase by the 2.0% 2026 guideline effective July 1, 2026.

CONCLUSION

[71] The Applications for 5.0% additional rent increases are allowed for the Units, except for the Three Units, which will increase by the annual allowable 2.0%.

[72] The rent increases are effective July 1, 2026.

IT IS THEREFORE ORDERED THAT

1. Effective July 1, 2026, the maximum allowable monthly rents for the Units are as follows:

Unit	Rent
1	$885.10
3	$838.09
5	$885.10
6	$726.34
7	$940.42
8	$940.42
9	$829.78
10	$834.77
11	$940.42
12	$940.42
13	$940.42
14	$939.11
15	$851.70
16	$829.78
17	$940.42

DATED at Charlottetown, Prince Edward Island, this 30th day of June, 2026.

(sgd.) Andrew Cudmore

Andrew Cudmore
Residential Tenancy Officer

APPENDIX “A”		
Revised Statement of Income & Expenses (Form 10)		
	Current Rent	5.0% Increase
Rental Income (Line 1)	$151,276.68	$158,840.28
Other income (Line 2)	$4,081.67	$4,081.67
Vacancy/Arrears (Line 3)	$0.00	$0.00
Net Income (Line 4)	$155,358.35	$162,921.95
Expenses		
1st Mortgage Interest (Line 5)	$0.00	$0.00
2nd Mortgage Interest (Line 6)	$0.00	$0.00
Fuel (Line 7)	$7,147.42	$7,147.42
Water & Sewer (Line 8)	$3,694.28	$3,694.28
Electricity (Line 9)	$3,988.18	$3,988.18
Insurance (Line 10)	$6,700.83	$6,700.83
Property Taxes (Lines 11, 12 & 13)	$25,639.93	$25,639.93
Property Management Fee (Line 14)	$5,000.00	$5,000.00
Maintenance Fee (Line 15)	$2,967.24	$2,967.24
Capital Expenditures (Line 16)	$0.00	$0.00
Other (Line 17)	$10,943.87	$10,943.87
Total Expenses	$66,081.75	$66,081.75
Annual Net Profit	$89,276.60	$96,840.20
Return on Investment - Appraisal		
Value of Investment	$1,666,666.67	$1,666,666.67
Net Profit	$89,276.60	$96,840.20
Return on Capital Investment	5.4%	5.8%

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.