INTRODUCTION

[1] This decision determines 14 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 effective May 1, 2026, which are an additional 3.0% above the 2026 annual allowable guideline of 2.0%

[3] The Landlord also seeks additional 3.0% rent increases above the 2027 annual allowable percentage.

BACKGROUND

[4] The Units are located in a 14-unit building (the "Residential Property") that the Landlord has owned since 2015.

[5] In February of 2026, the Landlord filed and served the Tenants with 14 *Form 9 Landlord Application to Request Additional Rent Increase* with the Rental Office. The Landlord also provided the Rental Office and the Tenants with 14 *Form 8 Notice of Annual Allowable Rent Increase*.

[6] On April 20, 2026 the Landlord filed and served 14 amended *Form 9 Landlord Application to Request Additional Rent Increase* (the "Applications") with the Rental Office. The Landlord also provided the Rental Office with 14 amended *Form 8 Notice of Annual Allowable Rent Increase*.

[7] The Applications request the following 2026 rent increases:

Unit	Current Rent	Proposed 2026 Rent
100	$1,034.40	$1,086.10
101	$875.70	$919.50
102	$849.10	$891.60
103	$814.00	$854.70
104	$840.00	$882.00
105	$921.70	$967.80
106	$889.00	$933.50
107	$808.20	$848.60
108	$840.00	$882.00
109	$938.60	$985.50
110	$810.30	$850.80
111/112	$956.50	$1,004.30
113/114	$854.20	$896.90
115	$1,104.80	$1,160.00

[8] The Landlord also seeks additional 3.0% rent increases above the allowable percentage in 2027.

[9] On May 4, 2026, the Rental Office sent the parties notice of a tele-hearing scheduled for June 16, 2026.

[10] On June 1, 2026, the Rental Office issued a 113-page PDF evidence package. The evidence package included the Landlord's *Form 10 Landlord Statement of Income and Expense* (the "Statement").

[11] On June 16, 2026, the Landlord's representative (the "Representative") participated in a tele-hearing. The Tenants did not attend the hearing. The Landlord confirmed that they were not aware of any documents missing from the evidence package that were previously submitted to the Rental Office and the Landlord submitted additional evidence after the hearing.

DISPOSITION

[12] I find that the Units' rents will increase by 5.0% effective June 1, 2026. The rents will increase by the 2027 annual allowable percentage plus an additional 3.0% effective June 1, 2027.

ISSUES

A. Does the evidence support additional 3.0% rent increases for the Units in 2026 and 2027?

B. When are the rent increases effective?

ANALYSIS

A. Does the evidence support additional 3.0% rent increases for the Units in 2026 and 2027?

Additional Rent Increase – Factors to Consider

[13] 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 its capital investment; and
4. The expectation of the Tenants that rent increases will remain within the annual guideline.

[14] 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 2015.

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

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

[16] The Landlord provided the Units' three-year rent history, showing that the rents were increased under Order LD23-216 effective June 1, 2023. The rents were also increased in 2024 and 2025.

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

[17] 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.

[18] The Landlord has incurred significant, recent capital expenditures due to the installation of heat pumps and a steel roof.

[19] The Statement has been adjusted in the Revised Statement in Appendix "A" of this decision. The annual capital expenditures deduction is based upon the applicable life expectancy. There are minor adjustments to the other expenses listed in the Statement based upon the documents that the Landlord submitted into evidence.

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

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

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

Value of capital investment

[22] 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).*
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> *[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.*

[23] 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 accepted the $609,947.81 valuation for the Units provided by the Landlord in the Statement.

Reasonable return on investment

[24] 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.*

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

[26] Based upon the evidence presented, the Landlord's ROI for the Units with an additional 3.0% increase in 2026 would be 5.4%.

[27] The exact total 2027 rent increase percentage is unknown because the 2027 allowable percentage has not yet been determined by the Director of Residential Tenancy under section 49 of the *Act*. However, even if the highest allowable percentage of 3.0% was approved (total 6.0% rent increases in 2027), the Landlord's return on investment would be 6.9%.

[28] For clarity, this decision does not approve a 6.0% rent increase in 2027. This percentage has been used for the 2027 calculations in the Revised Statement solely for considering the Landlord's future return on investment.

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

[29] Clause 50(3)(d) requires that I consider the Tenants' expectations that rent increases will remain within the annual guideline. In 2026, the annual allowable increase is 2.0%.

[30] The Tenants did not attend the tele-hearing regarding their expectations. One of the Tenants provided evidence regarding the condition of the Residential Property.

Determination

[31] After considering and weighing all of the factors and the evidence presented, I find that the evidence supports 5.0% rent increases for the Units in 2026. I also find that the allowable percentage plus an additional 3.0% is supported in 2027.

[32] Although the Units' rent history provides some weight against additional rent increases, the Landlord has incurred significant, recent capital expenditures. The Tenants' expectations are relatively neutral based upon the evidence presented. Further, with the proposed increases the Landlord's return on investment would remain within the reasonable range that the Commission has determined in earlier decisions.

B. When are the rent increases effective?

[33] The Landlord requested that the rent increases be effective May 1, 2026.

[34] However, in Order LD23-216 the rent increases were effective June 1, 2023. The Landlord did not appeal this earlier decision.

[35] There is a minimum twelve-month period between rent increases under subsection 48(1) of the *Act* and the Landlord increased the rents in 2024 and 2025.

[36] Therefore, the earliest date in this decision that the rent increases could be effective is June 1, 2026 in order to comply with the minimum twelve-month periods.

[37] I find that the Landlord gave adequate notice of the 2026 rent increases in February of 2026 and the 2026 rent increases are effective June 1, 2026.

[38] The 2027 rent increases will be effective June 1, 2027.

CONCLUSION

[39] The Applications are allowed, subject to an effective date of June 1, 2026 for the 2026 rent increases. The 2027 rent increases are effective June 1, 2027.

IT IS THEREFORE ORDERED THAT

1. Effective June 1, 2026, the Units' rents are as follows:

Unit	2026 Rent
100	$1,086.10
101	$919.50
102	$891.60
103	$854.70
104	$882.00
105	$967.80
106	$933.50
107	$848.60
108	$882.00
109	$985.50
110	$850.80
111/112	$1,004.30
113/114	$896.90
115	$1,160.00

2. Effective June 1, 2027, the rents for the Units will increase by the 2027 annual allowable percentage plus an additional 3.0%.

DATED at Charlottetown, Prince Edward Island, this 20th day of July, 2026.

(sgd.) Andrew Cudmore

Andrew Cudmore
Residential Tenancy Officer

APPENDIX "A"			
Revised Statement of Income & Expenses (Form 10)			
	Current Rent	Proposed 2026 Increase	2027 Increase Estimate
Rental Income (Line 1)	$150,438.00	$157,959.60	$167,437.18
Other income (Line 2)	$0.00	$0.00	$0.00
Vacancy/Arrears (Line 3)	($30,000.00)	($30,000.00)	($30,000.00)
Net Income (Line 4)	$120,438.00	$127,959.60	$137,437.18
Expenses			
1st Mortgage Interest (Line 5)	$0.00	$0.00	$0.00
2nd Mortgage Interest (Line 6)	$0.00	$0.00	$0.00
Fuel (Line 7)	$22,404.75	$22,404.75	$22,404.75
Water & Sewer (Line 8)	$1,850.00	$1,850.00	$1,850.00
Electricity (Line 9)	$14,259.92	$14,259.92	$14,259.92
Insurance (Line 10)	$5,073.00	$5,073.00	$5,073.00
Property Taxes (Lines 11, 12 & 13)	$8,264.00	$8,264.00	$8,264.00
Property Management Fee (Line 14)	$5,700.00	$5,700.00	$5,700.00
Maintenance Fee (Line 15)	$26,502.57	$26,502.57	$26,502.57
Capital Expenditures (Line 16)	$5,291.83	$5,291.83	$5,291.83
Other (Line 17)	$5,823.20	$5,823.20	$5,823.20
Total Expenses	$95,169.27	$95,169.27	$95,169.27
Annual Net Profit	$25,268.73	$32,790.33	$42,267.91
Return on Investment			
Value of Investment	$609,947.81	$609,947.81	$609,948.81
Net Profit	$25,268.73	$32,790.33	$42,267.91
Return on Capital Investment	4.1%	5.4%	6.9%

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.