INTRODUCTION

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

BACKGROUND

[3] The Units are located in a 10-unit building (the "Residential Property") that the Landlord has owned since 2010.

[4] On April 28, 2026 the Landlord filed and served five *Form 9 Landlord Application to Request Additional Rent Increase* (the "Applications"). The Landlord also provided the Rental Office with five *Form 8 Notice of Annual Allowable Rent Increase*.

[5] The Applications request the following rent increases:

Unit	Current Rent	Proposed 2026 Rent
2	$874.00	$918.00
3	$874.00	$918.00
7	$884.00	$928.00
9	$874.00	$918.00
10	$874.00	$918.00

[6] On June 5, 2026, the Rental Office sent the parties notice of a tele-hearing scheduled for July 7, 2026.

[7] On June 24, 2026, the Rental Office issued a 38-page PDF evidence package. The evidence package included the Landlord's *Form 10 Landlord Statement of Income and Expense* (the "Statement").

[8] On July 7, 2026, the Landlord's representative (the "Representative") participated in a tele-hearing. The Tenants did not attend the hearing. The Representative confirmed that they were not aware of any documents missing from the evidence package that were previously submitted to the Rental Office.

DISPOSITION

[9] I find that Applications are allowed.

ISSUE

A. Does the evidence support additional 3.0% rent increases for the Units?

ANALYSIS

Additional Rent Increase – Factors to Consider

[10] 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.

[11] 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 2010.

Review of the Factors

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

[13] The Landlord provided the Units' three-year rent history, showing that the rents were increased under two Rental Office Orders during this period.

[14] 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.

[15] The Landlord incurred a significant capital expenditure for a roof repair within this period.

[16] The Statement has been adjusted in the Revised Statement in Appendix "A" of this decision. The annual capital expenditures deduction is based upon the roof's life expectancy. There are minor adjustments to the other expenses listed in the Statement based upon the evidence provided.

[17] In particular, the property management expense is reduced to the 5.0% rental income limit in subsection 1(c) of the *Regulations*. The property taxes are based upon the 2026 tax statement.

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

[19] 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…*
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> *[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.*

[20] As stated in Order LR25-31, valuing a landlord's capital investment will be done on a case-by-case basis. I have used the tax assessed value of the Units, which is a conservative value for the Units.

[21] 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".*
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> *[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.*

[22] Based upon the evidence presented, the Landlord's ROI for the Units is currently 1.8% and will increase to 2.1% with the proposed rents.

[23] 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%.

[24] The Tenants did not attend the tele-hearing regarding their expectations.

[25] When the factors are considered together, the proposed rents are supported. The Landlord had a recent, significant capital expenditure and the Landlord is currently obtaining a return on investment below the reasonable range. Although the Landlord has received earlier additional rent increases, I note that in these decisions the return on investment was also below the reasonable range.

CONCLUSION

[26] The Applications are allowed. The Units' rents will increase by 5.0% effective August 1, 2026.

IT IS THEREFORE ORDERED THAT

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

Unit	Rents
2	$918.00
3	$918.00
7	$928.00
9	$918.00
10	$918.00

DATED at Charlottetown, Prince Edward Island, this 24th 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
Rental Income (Line 1)	$52,560.00	$55,200.00
Other income (Line 2)	$0.00	$0.00
Vacancy/Arrears (Line 3)	$0.00	$0.00
Net Income (Line 4)	$52,560.00	$55,200.00
Expenses		
1st Mortgage Interest (Line 5)	$0.00	$0.00
2nd Mortgage Interest (Line 6)	$0.00	$0.00
Fuel (Line 7)	$6,403.20	$6,403.20
Water & Sewer (Line 8)	$1,017.70	$1,017.70
Electricity (Line 9)	$1,140.56	$1,140.56
Insurance (Line 10)	$4,406.65	$4,406.65
Property Taxes (Lines 11, 12 & 13)	$9,826.68	$9,826.68
Property Management Fee (Line 14)	$2,628.00	$2,628.00
Maintenance Fee (Line 15)	$8,521.94	$8,521.94
Capital Expenditures (Line 16)	$1,166.43	$1,166.43
Other (Line 17)	$4,109.02	$4,109.02
Total Expenses	$39,220.18	$39,220.18
Annual Net Profit	$13,339.82	$15,979.82
Return on Investment		
Value of Investment	$759,000.00	$759,000.00
Net Profit	$13,339.82	$15,979.82
Return on Capital Investment	1.8%	2.1%

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.