INTRODUCTION

[1] This decision determines an application filed with the Residential Tenancy Office (the "Rental Office") under the *Residential Tenancy Act* (the *"Act"*).

[2] The Landlord seeks phased-in rent increases to increase the Unit's rent by 30.0%. This includes a 5.0% rent increase effective August 1, 2026, which is an additional 3.0% above the 2026 annual allowable guideline of 2.0%

BACKGROUND

[3] The Unit is a four-bedroom, one-and-a-half-bathroom single family home that the Landlord has owned since around 1963.

[4] Around February 1, 2026 the Landlord informed the Tenants regarding the proposed rent increases.

[5] On March 1, 2026 the Tenants moved into the Unit.

[6] On June 17, 2026 the Landlord filed a *Form 9 Landlord Application to Request Additional Rent Increase* (the "Application") with the Rental Office. The Landlord served the Tenants with the Application.

[7] The Landlord had also filed an earlier application for additional rent increases before the Tenants moved in, when the Unit was vacant. The Landlord also filed an application on April 13, 2026 that was not served to the Tenants. The Application replaced these earlier applications.

[8] The Application requests a phased-in monthly rent increase from $927.00 to $1,205.10.

[9] On June 19, 2026, the Rental Office emailed the parties notice of a tele-hearing scheduled for July 28, 2026.

[10] On July 7, 2026, the Rental Office emailed the parties a 34-page PDF evidence package.

[11] On July 28, 2026, the Landlord's representative (the "Representative") participated in the tele-hearing. The Tenants decided not to participate in the hearing because they are not against the rent increases.

DISPOSITION

[12] The Application is allowed.

ISSUE

A. Does the evidence support the phased-in rent increases requested in the Application?

ANALYSIS

Additional Rent Increase – Factors to Consider

[13] In order to determine the Application, I must consider the following factors in subsection 50(3) of the *Act*, which are as follows:

1. The Unit's rent history 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 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 Unit 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 Unit since around 1963.

Review of the Factors

[15] Clause 50(3)(a) requires that I consider the Unit's rent history in the three years before the date of the Application.

[16] The Landlord did not increase the Unit's rent from 2021 until a rent increase effective May 1, 2025.

[17] Clause 50(3)(b) requires that I consider a change in operating expenses and capital expenditures in the three years before the date of the Application that I consider to be relevant and reasonable.

[18] The Landlord incurred significant expenses in 2025 and 2026, which include flooring, painting and appliances. The Landlord also has a significant disbursement quota charge.

[19] Calculations are provided in Appendix "A" of this decision, which is based upon twelve months rent being paid in full at the current rent and the fully phased-in proposed rent.

[20] The Landlord's evidence establishes that the Landlord had significant, recent arrears and vacancy losses related to a previous tenant. The Landlord also paid for services, including furnace oil and electricity, that would not have been the Landlord's responsibility had the Unit been occupied.

[21] The Appendix "A" does not have deductions for arrears, vacancy losses, furnace oil or electricity expenses. Even without these deductions, the Landlord is not earning a reasonable return on its investment at the fully phased-in rent.

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

[23] 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.*

[24] 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 Unit, which is a conservative value.

[25] 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.*

[26] Based upon the evidence presented and with the Unit having no rental arrears, vacancy losses, furnace oil or electricity expenses, the Landlord's ROI for the Unit would be -0.8% at the current rent and would increase to 0.7% with the fully phased-in proposed rent.

[27] 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%.

[28] The Tenants are not against the rent increases in the Application.

[29] When the factors are considered together, the proposed rent is supported. The Landlord only increased the rent once since 2021, the Landlord had significant, recent expenses for the Unit, the Landlord is currently operating at a loss, the fully phased-in rent would result in a return on investment below the reasonable ROI range, and the Tenants are not against the phased-in rent increases.

CONCLUSION

[30] The Application is allowed.

[31] The Unit's rent will increase by 5.0% to $973.35 effective August 1, 2026.

[32] The Unit's rent will increase August 1, 2027 and every August 1 afterwards by the annual allowable percentage set by the Director of Residential Tenancy plus an additional 3.0% each year until the Unit's rent is $1,205.10.

IT IS THEREFORE ORDERED THAT

1. The Unit's rent will increase to $973.35 effective August 1, 2026.

2. The Unit's rent will increase on August 1, 2027 and every August 1 afterwards by the annual allowable percentage set by the Director of Residential Tenancy plus an additional 3.0% each year until the Unit's rent is $1,205.10.

DATED at Charlottetown, Prince Edward Island, this 28th day of July, 2026.

(sgd.) Andrew Cudmore

Andrew Cudmore
Residential Tenancy Officer

APPENDIX "A"		
Calculations of Income & Expenses		
	Current Rent	Final Phased-in Rent
Rental Income (Line 1)	$11,124.00	$14,461.20
Other income (Line 2)	$0.00	$0.00
Vacancy/Arrears (Line 3)	$0.00	$0.00
Net Income (Line 4)	$11,124.00	$14,461.20
Expenses		
1st Mortgage Interest (Line 5)	$0.00	$0.00
2nd Mortgage Interest (Line 6)	$0.00	$0.00
Fuel (Line 7)	$0.00	$0.00
Water & Sewer (Line 8)	$0.00	$0.00
Electricity (Line 9)	$0.00	$0.00
Insurance (Line 10)	$1,192.00	$1,192.00
Property Taxes (Lines 11, 12 & 13)	$3,185.30	$3,185.30
Property Management Fee (Line 14)	$0.00	$0.00
Maintenance Fee (Line 15)	$2,000.00	$2,000.00
Capital Expenditures (Line 16)	$0.00	$0.00
Other (Line 17)	$6,613.00	$6,613.00
Total Expenses	$12,990.30	$12,990.30
Annual Net Profit	-$1,866.30	$1,470.90
Return on Investment		
Value of Investment	$225,100.00	$225,100.00
Net Profit	($1,866.30)	$1,470.90
Return on Capital Investment	-0.8%	0.7%

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.