INTRODUCTION

[1] This decision addresses five applications filed with the Residential Tenancy Office (the "Rental Office") under the *Residential Tenancy Act* (the "Act").

[2] The Landlord is requesting rent increases of 5.0%, which are 3.0% above the 2026 guideline of 2.0%.

BACKGROUND

[3] The "Residential Property" contains 18 rental units, five of which are the subject of these Applications (the "Units"). The Landlord has owned the Residential Property since 2023.

[4] The Landlord served the Tenants with five *Form 8 Notice of Annual Allowable Rent Increase* and filed and served five *Form 9 Landlord Application to Request Additional Rent Increase* (the "Applications"). The current rents and proposed rents are as follows:

Unit	Current Rent	Proposed Rent
1	$974.58	$1,023.31
2	$877.72	$921.61
11	$1,043.06	$1,095.21
12	$962.00	$1,010.10
18	$800.28	$840.29

[5] On June 17, 2026, the Rental Office sent the parties notice of a tele-hearing scheduled for July 23, 2026.

[6] On July 15, 2026, the Rental Office shared with the parties a 669-page PDF, including a *Form 10 Landlord Statement of Income and Expenses* (the "Statement") and additional supporting documents (the "Evidence Package") via TitanFile.

[7] On July 23, 2026, the Landlord's representative (the "Representative") participated in a tele-hearing. The Representative confirmed receipt of the Evidence Package and stated that it included all submitted materials. No Tenants participated in the hearing, but two Tenants provided written submissions.

[8] During the hearing, I requested additional supporting documents from the Landlord.

[9] On August 31, 2026, the Landlord provided additional supporting documents to the Rental Office and the Tenants, which included spreadsheets and PDF documents. I provided the Tenants with a response submission deadline of September 8, 2026. No further submissions were provided.

DISPOSITION

[10] The evidence supports 5.0% rent increases for the Units, effective as set out below.

ISSUE

A. Does the evidence support additional rent increases above the 2026 annual allowable guideline?

ANALYSIS & FINDINGS

Additional Rent Increase – Factors to Consider

[11] I must consider the following factors in subsection 50(3) of the Act:

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 I consider 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.

[12] Subsection 50(4) states that I also have the discretion to consider any other factor or any factor prescribed in the *Residential Tenancy Regulations* (the "Regulations"). The Regulations state that I may also consider that the purchase of a residential property should not require an increase in rent within the first year to achieve a reasonable return on the landlord's capital investment. I find this factor does not apply because the Landlord purchased the Residential Property in 2023.

Clause 50(3)(a) – rent history for 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.

[14] In 2023, the allowable rent increase was 0.0%. On the dates below, each Unit's rent was increased by the 3.0% allowable rent increase for 2024 and by the 2.3% allowable rent increase for 2025.

Unit	2024 / 2025
1	October 1
2	September 1
11	October 1
12	June 1
18	June 1

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

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

[16] The Landlord did not list municipal taxes or capital expenditures in the "two-years-ago" column because the Landlord was unable to obtain this information from the previous landlord. Although some historical expense information before the Landlord's ownership was unavailable, I am satisfied that the available evidence is sufficient to reasonably assess the Applications.

[17] Each claimed expense was supported by testimony and documentary evidence, including statements, invoices, and supporting spreadsheets, which corroborate the amounts. I find that the Landlord's operating expenses are reasonable and supported by the evidence. The evidence establishes that the Landlord's operating expenses increased over the relevant period. The Representative stated that the Landlord's expenses cover the period from November 1 to October 31 of each year.

[18] Other than the adjustments below, I accept the Landlord's evidence regarding the Statement. The adjusted Statement is set out in Appendix "A".

Adjustments to the Statement

[19] The adjustments to the Statement are as follows:

a. Line 14 (Property management fees): Clause 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 values, regardless of the Landlord's actual expense.

   i. The Landlord claimed $2,862.08, which the Representative stated was 5.0% of the Units' portion (5 units / 18 units) of the Residential Property's gross rental income. I accept this calculation for the proposed column.

   ii. I find that the evidence establishes that 5.0% of the Units' previous year's gross rental income was $2,797.73. I therefore adjust the amount in the current column.

b. Line 15 (Maintenance expenses): The Landlord claimed $16,810.33; however, after the hearing, the Landlord adjusted this to $4,195.33, which is supported by the evidence. The evidence establishes that these expenses cover boiler repair, cleaning supplies, electrical expenses, general materials, HVAC, painting, plumbing, and unit turnover materials.

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. To determine the Landlord's return on investment ("ROI"), I must first determine the value of the Landlord's capital investment.

Value of Capital Investment

[21] 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."*

GAAP

[22] The Landlord provided a Generally Accepted Accounting Principles (GAAP) valuation of $2,293,230.68 for the Residential Property, which includes the combined value of buildings, building improvements, land, and appliances. This valuation would assign each Unit a value of $127,401.70.

[23] I recognize that GAAP financial reporting is reliable for accounting purposes; however, I find that it does not establish a fair market value for the determination of clause 50(3)(c). GAAP is based on historical cost and depreciation, and depreciation accounting does not always reflect changes in real estate values over time. Depreciation accounting reduces asset values over time and does not necessarily reflect fair market value.

[24] I note that the Regulations also state that operating costs exclude depreciation costs; however, this is only for the purposes of clause 50(3)(b) of the Act.

Appraisal

[25] The Landlord submitted a May 2023 appraisal (the “Appraisal”), which assessed the market value of the Units at $139,024.00 per Unit.

[26] I find the Appraisal to be reliable evidence because it was prepared by a qualified, independent appraiser who used a recognized market valuation method.

[27] I accept that the Units are substantially similar and that no evidence was provided indicating any material variation in market value between the Units. I therefore find that a per-unit allocation of the Appraisal is reasonable for determining the Applications.

[28] Accordingly, I find that the fair market value of the Landlord’s capital investment for the purposes of clause 50(3)(c) is $695,120.00 ($139,024.00 x 5) based on the Appraisal evidence. I find the Appraisal evidence more accurately reflects the fair market value of the Units than the GAAP valuation. In contrast, the GAAP valuation reflects historical accounting values that have been depreciated.

Reasonable Return on Investment

[29] In Order LR25-31, the Commission commented 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.*
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> *[61] Additionally, it is always open to landlords on additional rent increase applications to bring forward professional evidence and challenge the accepted ROI guideline, but the upper limit of 7% should not be adjusted further upward unless satisfactory professional evidence is provided.”*

[30] Based on the net operating income and the appraised value of each Unit at $139,024.00, I calculate the Landlord’s current ROI to be 3.60%, excluding mortgage interest from operating expenses in accordance with Order LR25-31.

[31] After including the 2026 annual allowable rent increase of 2.0% and the maximum additional rent increase of 3.0%, the Landlord's ROI would increase to 4.23%. I find that this projected ROI is on the lower end of the Commission's generally accepted range of 4.0% to 7.0%.

Clause 50(3)(d) – expectation of tenants regarding the annual guideline

[32] 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%.

[33] No Tenants participated in the hearing, but two Tenants provided written submissions. One Tenant stated they opposed the requested rent increase for financial reasons and because they were required to complete their own repairs and pest control. One Tenant stated they opposed the rent increase because the Landlord failed to properly maintain the Residential Property and because one of the Landlord's claimed expenses is not for the Residential Property.

Weighing the Factors

[34] I find that the evidence supports additional rent increases, resulting in a total increase of 5.0% for the Units. The Landlord's total operating expenses have increased over the past three years. The Landlord has also incurred capital expenditures for the Units. The Landlord's ROI is currently 3.60%. With 5.0% rent increases for the Units, the Landlord would achieve a 4.23% ROI.

[35] As stated in Order LR25-31, the Commission (and the Rental Office) currently lacks a professional analysis that sets out an appropriate rate of return on investment for residential rental properties. Landlords are entitled to an ROI of at least 4.0% and, on a case-by-case basis, may justify an ROI of up to 7.0% as reasonable, based on the specific circumstances.

[36] While the Landlord's projected ROI falls within the accepted range, the evidence establishes increasing operating expenses and capital expenditures that would reduce the Landlord's return absent additional rent increases. In the circumstances, permitting increases that result in a projected ROI of 4.23% is reasonable and consistent with the Commission's accepted range.

[37] I find that, despite the Tenants' objections to the rent increases, the factor in clause 50(3)(d) does not sufficiently outweigh the other factors in determining the Applications, for the reasons noted above. I note that the Landlord's evidence shows monthly pest control and maintenance expenses for the Residential Property. Regarding the claimed expense that is not for the Residential Property, after the hearing, the Landlord reduced their maintenance claim by removing expenses claimed in error for other buildings.

[38] The Landlord provided the Tenants with three months' notice of the rent increases effective as of the dates noted below in accordance with the Act.

[39] After considering and weighing all of the statutory factors set out in subsection 50(3) of the Act, I find that the evidence supports rent increases above the annual allowable guideline, and the Applications are allowed.

[40] **This decision contains sensitive information, and the parties are required to preserve its confidentiality under subsection 75(3) of the Act.**

IT IS THEREFORE ORDERED THAT

1. The maximum allowable rents for the Units and the effective dates are as follows:

Unit	Rent	Effective date
1	$1,023.00	October 1, 2026
2	$922.00	October 1, 2026
11	$1,095.00	October 1, 2026
12	$1,010.00	October 1, 2026
18	$840.00	October 1, 2026

DATED at Charlottetown, Prince Edward Island, this 17th day of September, 2026.

(sgd.) Mitch King

Mitch King
Residential Tenancy Officer

APPENDIX "A"
Revised Statement of Income & Expenses (Form 10)

	Current	Proposed	Established Expenses
Rental Income			
Rental Income at 100% (Line 1)	$54,244.99	$58,686.24	
Other income (Line 2)	$1,669.51	$1,669.51	
Vacancy Arrears/Losses (Line 3)	($521.73)	($521.73)	
Net Income before expenses (Line 4)	**$55,392.77**	**$59,834.02**	
Expenses			
1st Mortgage Interest (Line 5)	$0.00	$0.00	$30,558.61
2nd Mortgage Interest (Line 6)	$0.00	$0.00	$0.00
Fuel (Line 7)	$4,965.34	$4,965.34	$4,965.34
Water / Sewerage (Line 8)	$1,291.50	$1,291.50	$1,291.50
Electricity (Line 9)	$806.77	$806.77	$806.77
Insurance (Line 10)	$2,306.51	$2,306.51	$2,306.51
Provincial property tax (Line 11)	$4,313.84	$4,313.84	$4,313.84
Municipal property tax (Line 12)	$3,480.47	$3,480.47	$3,480.47
Island Waste Management Fees (Line 13)	$1,095.00	$1,095.00	$1,095.00
Property management fees (Line 14)	$2,797.73	$2,862.08	$2,862.08
Maintenance expenses (Line 15)	$4,195.33	$4,195.33	$4,195.33
Capital expenditures (Line 16)	$85.87	$85.87	$85.87
Other (Line 17)	$5,016.70	$5,016.70	$5,016.70
Total Operating Expenses (Line 18)	**$30,355.06**	**$30,419.41**	**$60,978.02**
Net Profit or (Loss) (Line 19)	**$25,037.71**	**$29,414.61**	
Value of Investment in Property	$695,120.00	$695,120.00	
Operating Income	$25,037.71	$29,414.61	
Return on Investment (ROI)	**3.60%**	**4.23%**	

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.