INTRODUCTION

[1] This decision addresses nine applications the Landlord 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 allowable annual guideline of 2.0%.

BACKGROUND

[3] The Units are nine rental units in a thirty-five-unit building (the "Residential Property"). The Landlord has owned the Residential Property since 2023.

[4] The Landlord served the Tenants with nine *Form 8 Notice of Annual Allowable Rent Increase* and filed and served nine *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	Proposed date
1	$932.52	$979.15	December 1, 2026
7	$898.80	$943.74	October 1, 2026
16	$1,138.94	$1,195.89	June 1, 2026
21	$895.64	$940.42	December 1, 2026
25	$1,293.94	$1,358.64	November 1, 2026
26	$969.80	$1,018.29	June 1, 2026
30	$1,206.49	$1,266.81	November 1, 2026
34	$1,291.83	$1,356.42	September 1, 2026
35	$936.05	$982.85	November 1, 2026

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

[6] On July 17, 2026, the Rental Office shared a 663-page PDF with the parties via TitanFile, including a *Form 10 Landlord Statement of Income and Expenses* (the "Statement") and additional supporting documents (the "Evidence Package").

[7] On July 23, 2026, the Landlord's representative (the "Representative") participated in a Rental Office 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 one Tenant provided a written submission.

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

[9] On August 31, 2026, the Landlord provided the Rental Office and the Tenants with additional supporting documents, including spreadsheets and PDF documents, as requested on July 23, 2026. I provided the Tenants with the additional documents and a response submission deadline of September 8, 2026.

[10] On September 8, 2026, I requested further submissions from the parties, due September 10, 2026, specifically regarding the 2025 rent increases for Units 16, 25, 30, and 34, which exceeded the 2025 allowable annual guideline of 2.3%.

[11] Three Tenants submitted additional documentation; however, the Landlord did not respond or provide additional evidence regarding the rent increases.

DISPOSITION

[12] The Applications for 5.0% rent increases for Units 1, 7, 21, and 35 are allowed.

[13] The Applications for 5.0% rent increases for Units 16, 25, 26, 30, and 34 are denied.

[14] The Landlord may increase Unit 26's rent by the 2026 allowable annual guideline of 2.0% by the timeline below.

ISSUE

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

ANALYSIS & FINDINGS

Additional Rent Increase – Factors to Consider

[15] 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 allowable annual guideline.

[16] 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 also state that I may consider whether the purchase of a residential property should not require a rent increase within the first year to achieve a reasonable return on the landlord's capital investment. I find that 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

[17] Clause 50(3)(a) requires that I consider the rent history for the Units in the three years preceding the date of the Applications, which are 2023, 2024, and 2025. The Landlord provided no rent history for Unit 26.

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

Unit	2024 / 2025
1	December 1 / December 1
7	October 1 / October 1
21	December 1 / December 1
35	September 1 / November 1

[19] On January 1, 2024, and January 1, 2025, the rents for Units 16, 25, 30, and 34 (the "Four Units") were increased by the 3.0% allowable annual rent increase for 2024 and the 2.3% allowable annual rent increase for 2025. In 2025, the Four Units' rents were also increased as follows:

Unit	Rent after January 1 increase (2.3%)	New rent	Date	Percentage
16	$927.86	$1,138.94	June 1	22.75%
25	$934.00	$1,293.94	November 1	38.54%
30	$840.91	$1,206.49	November 1	43.47%
34	$925.82	$1,291.83	September 1	39.53%

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

[20] 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.

[21] 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. The Landlord incurred no fuel expenses in the last 12 months. 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.

[22] Each claimed expense was supported by documentary evidence, including statements, invoices, and supporting spreadsheets, and was corroborated by the Representative's testimony. 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 three-year period. The Representative stated that the Landlord's expenses cover the period from November 1 to October 31 of each year.

[23] 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

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

a. Line 1 (Rental Income at 100%): The Landlord claimed $122,724.54; however, I find that the documentary evidence establishes that this should be $114,768.12, and I adjust this calculation for the current column.

b. 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 $5,059.06, which the Representative stated was 5.0% of the Units' portion (9 units / 35 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 is $4,945.32, and I adjust this calculation for the current column.

c. Line 15 (Maintenance expenses): The Landlord claimed $17,415.41; however, after the hearing, the Landlord adjusted this to $8,690.71, which is supported by the evidence. The evidence establishes that these expenses are for appliance repairs, cleaning supplies, electrical work, fire safety, general materials, HVAC, locksmith services, painting, plumbing, and rental-unit turnover materials.

Clause 50(3)(c) – reasonable return on the landlord's capital investment

[25] 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

[26] 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).*
>
> *[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

[27] The Landlord provided a Generally Accepted Accounting Principles (GAAP) valuation of $4,510,831.33 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 $128,880.90.

[28] 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.

[29] 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

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

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

[32] 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.

[33] Accordingly, I find that the fair market value of the Landlord's capital investment for the purposes of clause 50(3)(c) is $1,251,216.00 ($139,024.00 x 9) based on the Appraisal evidence. I find the Appraisal evidence more accurate than the GAAP valuation because the Appraisal more directly reflects the Units' 2023 fair market value. In contrast, the GAAP valuation reflects historical accounting values that have been depreciated.

Reasonable Return on Investment

[34] 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".*
>
> *[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.*
>
> *[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."*

[35] 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 4.81%, excluding mortgage interest from operating expenses in accordance with Order LR25-31.

[36] After including the 2026 allowable annual rent increase of 2.0% and the maximum additional rent increase of 3.0% for these Units, the Landlord's ROI would increase to 4.99%. I find that this projected ROI remains within the Commission's generally accepted range of 4.0% to 7.0%.

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

[37] Clause 50(3)(d) requires that I consider the Tenants' expectation that rent increases will remain within the allowable annual guideline. In 2026, the allowable annual guideline increase is 2.0%. Tenants of three of the Four Units stated they opposed additional rent increases because the Landlord increased their Unit's rent above the allowable annual guideline in 2025. The Tenants in the other Units provided no submissions.

Weighing the Factors

Units 1, 7, 21 and 35

[38] I find that the evidence supports additional rent increases resulting in a total increase of 5.0% for Units 1, 7, 21 and 35. The rent history does not weigh against the above-allowable annual guideline rent increases. The Landlord's total operating expenses have increased over the past three years. The Landlord has incurred capital expenditures for the Units. The Landlord's ROI is currently 4.81%, and a 5.0% rent increase for these Units would increase the Landlord's ROI to 4.99%.

[39] While the projected ROI of 4.99% 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 4.99% is reasonable and consistent with the Commission's accepted range.

[40] I find that the factor in clause 50(3)(d) does not weigh in favour of either granting or denying the Applications for these Units, as the Tenants in these Units submitted no evidence regarding their expectations that rent increases will remain within the allowable annual guideline.

[41] 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 allowable annual guideline for Units 1, 7, 21, and 35 effective as set out below, in accordance with the Act. The Landlord also provided the Tenants with three months' notice of the rent increases.

The Four Units (16, 25, 30, and 34)

[42] I find that the evidence does not support above-allowable annual guideline rent increases for the Four Units. The Act states that I must consider the Four Units' rent history for the three years preceding the date of the Applications, as mandated by clause 50(3)(a). The 2025 rent history is as follows:

Unit	Rent after January 1 increase (2.3%)	Date	New rent	Percentage
16	$927.86	June 1	$1,138.94	22.75%
25	$934.00	November 1	$1,293.94	38.54%
30	$840.91	November 1	$1,206.49	43.47%
34	$925.82	September 1	$1,291.83	39.53%

[43] I find that the Four Units' rent history weighs against an above-allowable annual guideline rent increase for the Four Units because the Landlord increased the Four Units' rent well above the allowable annual guideline in 2025, as noted above.

[44] The rent increases also occurred less than twelve months after each Unit's January 1, 2025 2.3% allowable annual rent increase, which appears to contravene subsection 48(1) of the Act. Additionally, the Tenants in three of the Four Units disputed the proposed rent increases, which also weighs against an above-allowable annual guideline rent increase under clause 50(3)(d) of the Act.

[45] I find that the factors in clauses 50(3)(a) and (d) weigh more heavily against an above-allowable annual guideline rent increase than the other factors that I must consider. Therefore, I find that the Applications for a 5.0% rent increase for the Four Units are denied.

[46] I note that the Landlord's proposed ROI has been calculated without factoring in a rent increase for the Four Units. The proposed ROI uses the current rent as the proposed rent for the Four Units.

[47] Regarding the Four Units' 2025 rent increases, the Rental Office determined a similar matter in Order LD25-405. Evidence in that matter showed that in 2024 a previous landlord increased the rent for a rental unit from $577.00 to $850.00 (47.31%), contrary to Part 2 of the Act. The Rental Office, in Order LD25-405, reset that rental unit's base rent to $577.00 and then applied the 2024 and 2025 allowable annual rent increases to the new base rent.

[48] The landlords appealed Order LD25-405 to the Commission. On appeal, in Order LR26-06, the Commission found there was insufficient evidence to establish that the previous landlord had unlawfully increased that rental unit's rent. The Commission allowed the landlords' application and set the maximum allowable rent at $895.00.

[49] In Order LR26-06, the Commission considered the procedural fairness implications of reducing a rental unit's rent when no application for an unlawful rent increase had been made by a tenant. The only applications in that matter were the landlords' applications for additional rent increases.

[50] The Commission found that the fairness defect regarding the Rental Office's rent reduction was so severe that the Commission's appeal process could not cure it. The Commission cited the Supreme Court of Prince Edward Island case "*Perry v. Kings Square Affordable Housing Corporation, 2023 PESC 32*." [1]

[51] In this matter, the only applications before me are the Landlord's Applications seeking above-allowable annual guideline rent increases for the Units. There are no tenant applications currently before me alleging an unlawful rent increase. The issue regarding the Four Units' rent history arose only after I received the Landlord's additional documents on August 31, 2026, and then considered the factors outlined in subsection 50(3) of the Act. Therefore, I make no finding regarding the Four Units' lawful rent or whether a return of rent is warranted.

[52] However, I note that the Tenants in the Four Units may each file a *Form 2(A) Tenant Application to Determine Dispute* to determine each Unit's lawful rent and whether they are entitled to a return of rent regarding each Unit's 2025 rent increases.

Unit 26

[53] I find that the evidence does not support an above-allowable annual guideline rent increase for Unit 26.

[54] The Act states that I must consider Unit 26's rent history for the three years preceding the date of the Application, as mandated by clause 50(3)(a). Despite my request for additional documentation to establish Unit 26's rent history, the Landlord did not provide a rent history for Unit 26 to support this Application.

[55] I find that this factor weighs more heavily against an above-allowable annual guideline rent increase than the other factors I must consider. This weighs more heavily because the Landlord increased the rent for four other Units in 2025 well above the allowable annual guideline and less than twelve months after the previous increase, which raises a concern about whether Unit 26's rent history complies with Part 2 of the Act. Without supporting documentation to establish a rent history for Unit 26, I cannot establish whether Unit 26's rent history complies with Part 2 of the Act.

[56] I find that the Landlord may increase Unit 26's rent by the 2026 allowable annual guideline of 2.0%.

[57] I find that the Landlord provided the Tenant in Unit 26 with three months' notice of the rent increases in accordance with the Act.

[1] 2023 PESC 32 (CanLII) | Perry v. Kings Square Affordable Housing Corporation | CanLII

CONCLUSION

[58] The Applications for 5.0% above-allowable annual guideline rent increases for Units 1, 7, 21, and 35 are allowed.

[59] The Applications for 5.0% above-allowable annual guideline rent increases for Units 16, 25, 26, 30, and 34 are denied.

[60] The Landlord may increase Unit 26's rent by the 2026 allowable annual guideline of 2.0% by the timeline below.

[61] **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	% increase	Effective date
1	$979.00	5.0%	December 1, 2026
7	$944.00	5.0%	November 1, 2026
16	$1,138.94	N/A	Unchanged
21	$940.00	5.0%	December 1, 2026
25	$1,293.94	N/A	Unchanged
26	$989.00	2.0%	November 1, 2026
30	$1,206.49	N/A	Unchanged
34	$1,291.83	N/A	Unchanged
35	$983.00	5.0%	November 1, 2026

DATED at Charlottetown, Prince Edward Island, this 15th day of October, 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)	$114,768.12	$117,194.40	
Other income (Line 2)	$1,240.08	$1,240.08	
Vacancy Arrears/Losses (Line 3)	($8,035.24)	($8,035.24)	
Net Income before expenses (Line 4)	**$107,972.96**	**$110,399.24**	
Expenses			
1st Mortgage Interest (Line 5)	$0.00	$0.00	$55,055.51
2nd Mortgage Interest (Line 6)	$0.00	$0.00	$0.00
Fuel (Line 7)	$0.00	$0.00	$0.00
Water / Sewerage (Line 8)	$2,023.06	$2,023.06	$2,023.06
Electricity (Line 9)	$2,322.22	$2,322.22	$2,322.22
Insurance (Line 10)	$4,235.25	$4,235.25	$4,235.25
Provincial property tax (Line 11)	$7,675.89	$7,675.89	$7,675.89
Municipal property tax (Line 12)	$6,193.99	$6,193.99	$6,193.99
Island Waste Management Fees (Line 13)	$1,971.00	$1,971.00	$1,971.00
Property management fees (Line 14)	$4,945.32	$5,059.06	$5,059.06
Maintenance expenses (Line 15)	$8,690.71	$8,690.71	$8,690.71
Capital expenditures (Line 16)	$1,112.88	$1,112.88	$1,112.88
Other (Line 17)	$8,629.13	$8,629.13	$8,629.13
Total Operating Expenses (Line 18)	**$47,799.45**	**$47,913.19**	**$102,968.70**
Net Profit or (Loss) (Line 19)	**$60,173.51**	**$62,486.05**	
Value of Investment in Property	$1,251,216.00	$1,251,216.00	
Operating Income	$60,173.51	$62,486.05	
Return on Investment (ROI)	**4.81%**	**4.99%**	

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.