INTRODUCTION

[1] This decision addresses an application the Landlords filed with the Residential Tenancy Office (the "Rental Office") under the *Residential Tenancy Act*, cap. R-13.11 (the "*Act*").

[2] The Landlords seek a 4.96% rent increase for the Unit effective November 1, 2026, which is an additional 2.96% increase above the 2026 annual allowable guideline of 2.0%.

[3] The Landlords' application stated it was seeking an additional rent increase be phased in over a period of time, however, did not provide the total rent increase percentage.

BACKGROUND

[4] The Unit is a three-bedroom, two-and-a-half-bathroom townhouse located in a four-unit building (the "Residential Property") the Landlords have owned since 2014.

[5] On July 31, 2026 the Landlords filed and served a *Form 9 Landlord Application to Request Additional Rent Increase* (the "Application"). The Landlords also provided the Rental Office with a *Form 8 Notice of Annual Allowable Rent Increase*.

[6] The Application requests the following rent increase:

Unit	Current Rent	Proposed 2026 Rent	Percentage Increase	Effective Date
1	$1,199.50	$1,259.00	4.96%	1-Nov-26

[7] The Application stated that an additional rent increase be phased in over a period of time. The Landlords' representative (the "Representative") stated that he was unsure of the process regarding phased in rent increases and did not provide an exact percentage.

[8] On September 15, 2026 the Rental Office sent the parties notice of a tele-hearing scheduled for October 27, 2026.

[9] On October 9, 2026 the Rental Office issued an 80-page PDF evidence package. The evidence package included the Landlords' *Form 10 Landlord Statement of Income and Expense* (the "Statement").

[10] On October 27, 2026 the Representative participated in the hearing. The Tenant did not attend the hearing and did not submit any evidence. 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

[11] The evidence supports an additional 2.96% rent increase above the 2026 annual allowable guideline of 2.0%. Effective November 1, 2026 the Unit's reason is $1,259.00.

ISSUE

A. Does the evidence support an additional rent increase for the Unit?

EVIDENCE & ANALYSIS

[12] The Landlords have the onus of proving, on a balance of probabilities, that an additional rent increase above the annual allowable guideline is supported by the evidence.

[13] The Landlords submitted the Statement disclosing the Unit's income and expenses for the past three years. The Landlords also submitted documentary evidence, including invoices, receipts, a rent ledger and tax documents to support the numbers in the Statement. The Representative provided direct evidence regarding each expense, including management fees, maintenance costs, capital expenditures, other expenses and the value of the investment in the Unit.

[14] With the exception of the capital expenditures, every income and expense line in the Statement is one quarter of the overall income / expense to accurately represent the Unit.

[15] The Statement is adjusted in the Revised Statement in Appendix "A" of this decision. The annual capital expenditures deduction is adjusted based upon the life expectancy of both capital expenditures and reduced to one quarter of the overall cost to accurately represent the Unit.

Additional Rent Increase – Factors to Consider

[16] Subsection 50(3) of the *Act* requires that I consider the following factors when determining an additional rent increase application:

1. The rent history for the Unit 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 Landlords to have a reasonable return on their capital investment; and
4. The expectation of the Tenant that rent increases will remain within the annual guideline.

[17] 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 Landlords' capital investment. However, this factor is not relevant because the Landlords have owned the Unit since 2014.

Review of the Factors

[18] The first factor requires that I consider the rent history for the Unit in the three years preceding the date of the Application.

[19] The Landlords provided the Unit's three-year rent history, showing that the rents were increased under three Rental Office Orders during this period.

Order	Rent Approved	Percentage Increased	Effective Date
LD25-379	$1,199.50	5.27%	1-Nov-25
LD24-269	$1,139.50	5.97%	1-Sep-24
LD23-363	$1,075.30	3.00%	1-Aug-23

[20] The second factor requires that I consider a change in operating expenses and capital expenditures in the three years preceding the date of the Application that I consider to be relevant and reasonable.

[21] The Statement shows an overall increase in operating expenses and that the Landlords incurred a significant capital expenditure for a roof replacement within this period.

[22] The Representative stated that fuel and property taxes have continued to increase year-to-year. The Representative stated that maintenance includes general repairs and furnace cleaning. The increase is due to materials and professional labour rates increasing. The *other* expenses include snow removal and lawn care expenses.

[23] The adjustments to the Revised Statement are outlined below.

Line 14. Property Management Fees

[24] The property management expense is reduced to the 5.0% gross rental income limit, as required under subsection 1(c) of the *Regulations*. The Statement included a $1,500.00 property management fee, which is one quarter of the total expense. The Representative is the property manager for the Residential Property, including the Unit.

Line 16. Capital Expenditures

[25] I adjust the Landlords' capital expenditures total cost to reflect the Unit's share and the life expectancy of the driveway and the roof. The adjustments are as followed.

Item	Year Completed	Cost	Life Expectancy	Yearly Expense
Driveway	2019	$1,437.50	10 years	$143.75
Replace Shingle Roof	2025	$5,418.50	20 years	$270.93
			Total	$414.68

[26] The third factor requires that I consider the Landlords' expectation to have a reasonable return on their capital investment.

[27] 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:

> *"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).*
>
> *… 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…*
>
> *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."*[1]

[28] 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 2026 tax assessed value of the Unit, which is a conservative value for the Unit. I have also included the Landlords' capital expenditures in the total value, portioned to represent the Unit.

[29] The Landlords' value of capital investment is $150,381.00.

[1] *Jason Shakespeare v. Tenants of Unit 11 Cornwall Road and Unit 18 Heatherway Drive*, 2025 PEIRAC 32, paras 37-38 & 50.

[30] In Order LR25-31 the Commission stated the following regarding a landlord's return on investment (ROI):

> *"… 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".*
>
> *… 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."*[2]

[31] Based upon the evidence presented, the Landlords' ROI for the Unit is currently 3.7% and will increase to 4.2% with the proposed rent increase.

[32] The fourth factor requires that I consider the Tenant's expectation that rent increases will remain within the annual guideline. In 2026, the annual allowable guideline is 2.0%.

[33] The Tenant did not attend the tele-hearing and did not submit any evidence regarding their expectations.

[34] When the factors are considered together, the proposed rent is supported. The Landlords have had a recent, significant capital expenditure, have had an increase in operating expenses for the past three years, particularly, fuel, property taxes and maintenance expenses, and currently have an ROI below the 4% to 7% range for a reasonable return on investment.

[35] The Landlords have had three approved additional rent increases in the previous three years. Although this factor weighs against the Landlords' proposed rent increase, I find that the other factors together, outweigh this factor.

[36] Therefore, the Application is allowed. The Unit's rent will increase by 4.96% effective November 1, 2026.

[37] I find that the Landlords' phased in additional rent increase is denied. Although the Application refers to a phased in increase, the Application did not state the total amount the Landlords were seeking. I find that it would be procedurally unfair to award the Landlords an additional rent increase phased in without providing the Tenant an opportunity to submit evidence to respond to the exact amount the Landlords were seeking.

IT IS THEREFORE ORDERED THAT

1. Effective November 1, 2026 the Unit's rent is $1,259.00.

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

(sgd.) Cody Burke

Cody Burke
Residential Tenancy Officer

[2] *Jason Shakespeare v. Tenants of Unit 11 Cornwall Road and Unit 18 Heatherway Drive*, 2025 PEIRAC 32, paras 53 & 60.

APPENDIX "A"			
Revised Statement of Income & Expenses (Form 10)			
	Current Rent	**Proposed Rent**	
Rental Income			
Rental Income at 100% (Line 1)	$14,394.00	$15,108.00	
Other income (Line 2)	$0.00	$0.00	
Vacancy Arrears/Losses (Line 3)	$0.00	$0.00	
Net Income before expenses (Line 4)	**$14,394.00**	**$15,108.00**	
Expenses			
1st Mortgage Interest (Line 5)	$0.00	$0.00	
2nd Mortgage Interest (Line 6)	$0.00	$0.00	
Fuel (Line 7)	$2,700.00	$2,700.00	
Water & Sewer (Line 8)	$300.00	$300.00	
Electricity (Line 9)	$0.00	$0.00	
Insurance (Line 10)	$460.50	$460.50	
Property Tax (Provincial) (Line 11)	$1,321.82	$1,321.82	
Property Tax (Municipal) (Line 12)	$1,306.08	$1,306.08	
Island Waste Management Fees (Line 13)	$259.00	$259.00	
Property Management Fees (Line 14)	$719.70	$755.40	
Maintenance Fee (Line 15)	$800.00	$800.00	
Capital Expenditures (Line 16)	$414.68	$414.68	
Other (Line 17)	$520.00	$520.00	
Total Operating Expenses (Line 18)	$8,801.78	$8,837.48	
Net Profit or (Loss) (Line 19)	**$5,592.22**	**$6,270.52**	
Value of Investment in Property	$150,381.00	$150,381.00	
Net Profit	**$5,592.22**	**$6,270.52**	
Return on Investment (ROI)	**3.7%**	**4.2%**	

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.