



PRINCE EDWARD ISLAND

Regulatory & Appeals Commission

Commission de réglementation et d'appels

ILE-DU-PRINCE-ÉDOUARD

Order: LR22-54

IN THE MATTER of establishing the allowable percentage rent increase for 2023, pursuant to subsection 23(1) of the *Rental of Residential Property Act*, R.S.P.E.I. 1988, Cap. R-13.1;

Order

Panel Members:

J. Scott MacKenzie, K.C. Chair
M. Douglas Clow, Vice-Chair
Erin T. Mitchell, Commissioner

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Cheryl Mosher,

Senior Financial Officer

Prince Edward Island Regulatory & Appeals
Commission

BACKGROUND

1. Subsection 23(1) of the Rental of Residential Property Act requires the Commission to establish the allowable percentage of rent increase for 2023.
2. In accordance with subsection 23(2) of the Act, the Director of Residential Rental Property (the "Director") gave public notice inviting written representations from landlords and tenants to assist in establishing the annual prescribed percentage rent increase.
3. This year, 375 submissions were received from 65 landlords, 201 tenants, and 109 from unknown/other sources. There were 54 submissions requesting a rental increase between .5% and 11.5%, and there were 72 submissions requesting no increase; other submissions did not provide a recommendation.
4. The Commission reviewed the Consumer Price Index (CPI) for Prince Edward Island published by Statistics Canada and provided to the Commission by Prince Edward Island Department of Finance. The CPI included data for a 1-year period from August 2021 until July 2022. CPI data is included in Appendix A.
5. Commission staff, in consultation with staff from the Department of Finance, determined the factors affecting a typical rental accommodation and examined whether or not these costs are increasing. It was determined that energy costs, electricity, property taxes and repairs and maintenance costs are significant contributors to a rental accommodation's expenses. This finding was corroborated with the written submissions the Commission received from landlords which identified these cost items as areas of concern.
6. During the year a number of products significantly fluctuated in price, specifically costs of furnace oil which can be a significant expense to rental accommodations. During the 1-year period energy costs of furnace oil increased significantly from August 2021 to July 2022. The CPI index for the Water, Fuel and Electricity basket experienced a 37.1% increase over the period.
7. The Water, Fuel and Electricity basket can be further broken down. The CPI index for PEI Electricity has experienced a 4.8% increase during the period of August 2021 to July 2022. Water has experienced a 2.3% increase during the period, and fuel oil and other fuels has experienced a 75.9% increase during the period. The Commission heard and accepts that these items also have an impact on expenses relating to rental accommodations.
8. Other expenditures that are significant to rental accommodations include mortgage interest costs, property taxes, insurance, and repairs and maintenance. These type of expenditures are included in the CPI index under the Owned Accommodation basket. During the period from August 2021 to July 2022 the CPI index for owned accommodations basket experienced a 5.3% increase.

DECISION

9. The Commission reviewed the CPI indices for selective items related to rental accommodations ending July 2022. The Commission reviewed and considered

submissions received from landlords, tenants, and the general public. The Commission finds that there has been considerable fluctuation in rental accommodation expenditures over the last year due to increasing inflation and fluctuating furnace oil prices. This finding was confirmed by the Commission in reviewing data from the Office of the Director of Residential Rental Property relating to increased expenses incurred by landlords.

10. The Commission has determined a formula to calculate the appropriate 2023 Residential Rent Increase. The formula takes into consideration both the CPI values that relate to the costs of owning and operating a rental accommodation. The formula uses a weighted average approach to ensure each specific CPI index is weighted as a proportion of overall expenditures.
11. The Commission determined the appropriate weighted factor based on data collected by the Commission from landlords submitted within the last 12 months. This allowed the commission to determine the approximate weight to apply to various CPI indices. The formulas are as follows:

a. Weighted average calculation for unheated premises and premises heated by sources other than furnace oil.

$$\begin{aligned}\text{Percentage Increase} &= (\text{CPI Electricity} \times \% \text{ of Electricity}) + (\text{CPI Water} \times \% \text{ of Water}) + (\text{CPI Owned Accommodations} \times \% \text{ of remaining expenses}) \\ &= (4.8\% \times 5\%) + (2.3\% \times 3\%) + (5.3\% \times 92\%) \\ &= 5.2\%\end{aligned}$$

b. Weighted average calculation for premises heated with furnace oil.

$$\begin{aligned}\text{Percentage Increase} &= (\text{CPI Electricity} \times \% \text{ of Electricity}) + (\text{CPI Water} \times \% \text{ of Water}) + (\text{CPI Fuel Oil and other fuels} \times \% \text{ of fuel oil}) + (\text{CPI Owned Accommodations} \times \% \text{ of remaining expenses}) \\ &= (4.8\% \times 5\%) + (2.3\% \times 3\%) + (75.9\% \times 8\%) + (5.3\% \times 84\%) \\ &= 10.8\%\end{aligned}$$

12. In setting the prescribed percentage rent increase the Commission has considered representations received pursuant to subsection 23(2) of the Act, the vacancy rates for the province from CMHC's 2021 Rental Market Survey, and changes in the Consumer Price Index.
13. The Commission has determined a 5.2% increase will apply to unheated rental premises and premises heated with sources other than furnace oil.
14. The Commission has determined a 10.8% will apply to rental premises heated with furnace oil.
15. Section 21 of the Rental of Residential Property Act states landlords are permitted to raise the rent once every 12 months and are required to provide tenants with three months' written notice by an approved form before the rent increase can take effect.

16. Landlords seeking rent increases greater than the allowable amount must apply to the Director of the Office of Residential Rental Property and provide the required information (subsection 23(3) of the Act).
17. If a tenant rents a unit beginning September 1, 2022, the date of the first allowable increase is September 1, 2023, provided the tenant received three months' written notice on an approved form.

ORDER

The Commission Orders the maximum allowable rent increase for the period January 1, 2023 to December 31, 2023:

1. The allowable percentage rent increases for the period January 1, 2023 to December 31, 2023, for all unheated premises, premises heated by sources other than furnace oil, and mobile home sites located in a mobile home park shall be five point two (5.2%) percent.
2. The allowable percentage rent increases for the period January 1, 2023 to December 31, 2023, for all premises heated with furnace oil shall be ten point eight (10.8%) percent.

DATED at Charlottetown, Prince Edward Island, this 20th day of September, 2022.

BY THE COMMISSION:

(sgd) J. Scott MacKenzie

J. Scott MacKenzie, K.C., Chair

(sgd) M. Douglas Clow

M. Douglas Clow, Vice-Chair

(sgd) Erin T. Mitchell

Erin T. Mitchell, Commissioner

Appendix A – Consumer Price Index (CPI)

Month	Canada All Items	PEI							
		PEI All Items	Shelter	Owned Accommodation	Water, Fuel, and Electricity	Electricity	Water	Fuel Oil and Other Fuels	Energy
Aug	142.6	147.0	152.5	135.8	201.6	154.2	150.0	244.1	201.9
Sep	142.9	146.9	152.6	135.9	203.5	154.2	150.0	248.3	203.4
Oct	143.9	147.8	155.5	136.2	216.1	154.2	150.0	276.7	214.8
Nov	144.2	148.0	155.5	136.1	218.8	154.2	150.0	282.9	216.0
Dec	144.0	147.4	155.7	136.8	206.2	154.2	150.0	254.4	202.8
Jan 2022	145.3	149.6	158.7	136.6	228.6	159.3	150.0	299.0	221.2
Feb	146.8	151.2	160.5	136.6	232.0	159.3	150.0	306.6	231.3
Mar	148.9	154.7	165.7	136.1	265.7	162.0	150.0	379.4	262.2
Apr	149.8	156.0	167.1	137.6	269.3	162.0	155.6	386.5	262.8
May	151.9	160.2	172.2	137.9	312.5	162.0	155.6	487.9	311.6
June	152.9	160.6	168.9	138.4	274.9	162.0	155.6	398.7	305.9
July	153.1	160.5	168.3	139.3	267.6	162.0	155.6	381.5	285.3
Avg Aug 2020 to Jul 2021	139.0	141.1	142.8	130.1	176.1	151.1	148.5	187.0	172.0
Avg Aug 2021 to Jul 2022	147.2	152.5	161.1	136.9	241.4	158.3	151.9	328.8	243.3
1 yr Change 21/22 over 20/21	5.9%	8.1%	12.8%	5.3%	37.1%	4.8%	2.3%	75.9%	41.4%
July 22/July 21	7.6%	9.5%	11.0%	3.0%	34.3%	5.1%	3.7%	59.7%	42.0%
YTD (Jan-Jul) 2022	149.1	155.0	164.6	137.4	257.1	160.4	152.8	361.8	260.4
	6.6%	8.8%	13.3%	4.6%	39.8%	5.5%	2.7%	76.2%	43.2%

Annual	Canada All Items	PEI							
		PEI All Items	Shelter	Owned Accommodation	Water, Fuel, and Electricity	Electricity	Water	Fuel Oil and Other Fuels	Energy
2015	126.6	129.3	131.8	117.0	177.1	153.0	132.4	191.4	167.3
2016	128.4	130.8	131.4	119.1	169.0	157.0	133.5	166.7	157.8
2017	130.4	133.2	133.8	120.0	177.5	161.8	134.2	180.5	169.3
2018	133.4	136.3	138.2	121.5	192.9	160.3	134.7	218.0	186.3
2019	136.0	137.9	139.0	124.1	187.3	154.6	140.3	211.7	179.2
2020	137.0	137.9	137.8	127.1	164.5	150.7	146.9	158.7	153.7
2021	141.6	144.9	149.5	133.6	195.9	153.1	149.4	231.9	194.6
% Change									
2016	1.4%	1.2%	-0.3%	1.8%	-4.6%	2.6%	0.8%	-12.9%	-5.7%
2017	1.6%	1.8%	1.8%	0.8%	5.0%	3.1%	0.5%	8.3%	7.3%
2018	2.3%	2.3%	3.3%	1.3%	8.7%	-0.9%	0.4%	20.8%	10.0%
2019	1.9%	1.2%	0.6%	2.1%	-2.9%	-3.6%	4.2%	-2.9%	-3.8%
2020	0.7%	0.0%	-0.9%	2.4%	-12.2%	-2.5%	4.7%	-25.0%	-14.2%
2021	3.4%	5.1%	8.5%	5.1%	19.1%	1.6%	1.7%	46.1%	26.6%