

DECISION

Introduction

On March 31, 2025, the Landlord filed an application pursuant to section 43 of the Residential Tenancy Act (the “Act”) and section 23(1) of the Residential Tenancy Regulation (the “RTR”) for an additional rent increase (the Application). The reasons for additional rent increase stated on the Application are:

- the Landlord has incurred a financial loss from an extraordinary increase in the operating expenses of the residential property; and
- the Landlord, acting reasonably, has incurred a financial loss for the financing costs of purchasing the residential property, if the financing costs could not have been foreseen under reasonable circumstances.

Service of Notice of Dispute Resolution Proceeding (Proceeding Package)

The Tenant confirmed receipt of the Proceeding Package and that they had enough time to review it.

Based on the Tenant’s testimony, I find the Proceeding Package properly served using my authority under section 71(2) of the Act and the hearing proceeded as scheduled.

Service of Evidence

Based on the submissions before me, I find that the Landlord's evidence was served to the Tenant in accordance with section 88 of the Act.

No evidence was received by the Residential Tenancy Branch from the Tenant. The Tenant confirmed that they did not submit any evidence for consideration.

Issue to be Decided

Is the Landlord entitled to an additional rent increase other than for eligible capital expenditures under section 23(1) of the RTR?

Background and Evidence and Analysis

While I have considered the Landlord's documentary evidence and the testimony of the parties, not all details of their submissions and arguments are reproduced here. The relevant and important aspects of the Landlord's claims, and my findings are set out below.

The Landlord submitted that the current monthly rent of this tenancy is \$1,821.00.

The Landlord is seeking to increase the rent by an extra 26%, above the 3% permitted under by the Act and RTR for 2025, totaling an increase of \$528.00 per month and resulting in a new monthly rent of \$2,349.00.

The Landlord testified that the operating costs have increased over the past few years mainly due to the increase of interest rates from 2.69% in 2019 to 6.25% in 2023.

The Landlord listed the extraordinary increase of the operating costs in their Application as follows:

Type of Costs	Column A: Costs last fiscal year	Column B: Costs previous fiscal year	Column C: Costs two fiscal years ago	Column A-B: Net Change
Financing Costs (Mortgage interest)	\$17,474.72	\$10,216.57	\$7,921.76	\$7,258.15
Strata Fee	\$6,746.98	\$6,324.86	\$6,013.34	\$422.12
Property Management	\$630.00	\$630.00	\$630.00	
Insurance	\$660.00	\$630.00	\$652.50	\$30.00
Property Tax	\$2,668.91	\$2,342.91	\$2,116.67	\$326.00
Net increase in operating expenses				\$8,036.27

The Landlord submitted copies of the bank statements and property tax notices to corroborate the above.

The Landlord is seeking an additional rent increase because they

- have incurred a financial loss from an extraordinary increase in the operating expenses of the residential property; and
- while acting reasonably, have incurred a financial loss for the financing costs of purchasing the residential property, if the financing costs could not have been foreseen under reasonable circumstances.

Financial loss from an extraordinary increase in operating expenses

RTB Policy Guideline 37D states that to prove a financial loss, a landlord must ordinarily submit into evidence an audited or certified financial statement that:

- summarizes the financial condition of the landlord,
- includes a statement of profit and loss, and
- is signed by someone authorized to sign audited financial statements in the Province of British Columbia, or is certified by a professional accountant, or is accompanied by a sworn affidavit of the landlord that the financial statements are true.

In addition, section 5 of the Application clearly state the following instructions:

Attach financial statements for last fiscal year. If financial statements are not audited, provide sufficient evidence before or at the hearing (e.g. supporting documentation) to verify accuracy.

I note that the Landlord did not attach any financial statements in their Application. Nor did they provide an audited or certified financial statement in their submitted evidence, which is a requirement to prove a financial loss.

Furthermore, Policy Guideline 37D addresses the meanings of “extraordinary” and “operating expenses” as follows:

Extraordinary means very unusual or exceptional. If operating expenses sharply and suddenly increase without warning, it may be extraordinary.

Operating expenses include utility charges (heat, hydro, water), municipal taxes (property and school taxes), recycling, sewer and garbage fees, insurance premiums, routine repair and maintenance, reasonable management fees for the management of the residential property, and the cost of leasing land for purposes directly related to the operation and use of the property.

Operating expenses **do not include financing costs** or capital expenditures (both of which have separate additional rent increase provisions), fines or penalties levied for failure to meet an obligation, capital cost allowance or depreciation, and income taxes.

I find that mortgage interest is not considered as an operating expense as this type of expense is a financing cost expense, and that it falls under the application type of financial loss for financing costs of purchasing property.

Having carefully reviewed the remaining operating expenses, namely insurance, strata fee, property management fee, and property tax, I find they indicate either a trivial increase or even a zero increase from 2022 to 2024 and therefore cannot be considered as “extraordinary increase”. As such, I find the Landlord has not provided sufficient evidence to establish, on a balance of probabilities, that they have sustained an extraordinary increase in operating expenses.

For the above reasons, I dismiss the Landlord's application for an additional rent increase due to a financial loss from an extraordinary increase in the operating expenses without leave to reapply.

Financial loss for financing costs of purchasing the property

Policy Guideline 37D states that the financial loss must result from something that the landlord could not foresee under reasonable circumstances. If a mortgage has a low interest rate, it is reasonable to assume that the interest rate might increase by a few percent at renewal. If a landlord purchased a property when interest rates were low with no cushion to sustain a reasonable hike in interest rates and financial loss resulted, an additional rent increase would likely not be granted.

Major shifts in monetary policy leading to dramatically higher interest rates or regulatory changes by government leading to higher borrowing costs may qualify as sufficiently difficult to foresee under reasonable circumstances.

I note that the interest rate increased from 2.69% in 2019 to 6.25% in 2023, i.e. by 3.56%.

As stated in Policy Guideline 37D, it is reasonable to assume that the increase rate would have gone up by a few percent at renewal when the Landlord purchased the rental property at a low interest rate and that they could have foreseen that the low interest rate would not remain permanently. Furthermore, I have not been provided with any documentary evidence that there were major shifts in monetary policy leading to dramatically higher interest rates or regulatory changes by government leading to higher borrowing costs. Therefore, I find that, on a balance of probabilities, the increase in financing costs was not unforeseeable under reasonable circumstances.

For the above reasons, I dismiss the Landlord's application for an additional rent increase due to a financial loss for financing costs of purchasing the property without leave to reapply.

Conclusion

The Landlord's application for an additional rent increase is dismissed in its entirety, without leave to reapply.

This decision is made on authority delegated to me by the Director of the Residential Tenancy Branch under section 9.1(1) of the Act.

Dated: June 25, 2025

Residential Tenancy Branch