

DECISION

Introduction

This hearing dealt with the Landlord's Application for Dispute Resolution under the Residential Tenancy Act (the Act) for an additional rent increase in accordance with sections 43(1)(b) and 43(3) of Act and section 23 of the Residential Tenancy Regulation (the Regulation).

The Landlord and the Tenants attended the hearing.

Service

The Landlord confirmed service of the Notice of Dispute Resolution Hearing and proceeding package to the Tenants by registered mail on June 5, 2025. The Tenants confirmed at the hearing they were served with the proceeding package, including copies of the Landlord's evidence. I therefore find the Tenants were served with the required materials in accordance with the Act.

The Tenants did not provide any documentary evidence for the hearing.

Issue to be Decided

Is the Landlord entitled to an additional rent increase for an extraordinary increase in operating expenses?

Is the Landlord entitled to an additional rent increase for financial loss for financing costs incurred for purchasing the property?

Background and Evidence

I have reviewed all evidence, including the testimony of the parties, but will refer only to what I find relevant for my decision.

The rental property is a duplex with four suites. The Landlord testified that they purchased the property in 2021, and the building was constructed around the 1970s.

The current monthly rent for Tenants N.K. and C.K. is \$1,267.00. Notice of rent increase forms, dated January 1, 2025, January 1, 2024, and January 1, 2023, were submitted into evidence.

The current monthly rent for Tenant K.S. is \$989.00. Notice of rent increase forms, dated January 1, 2025, January 1, 2024, and January 1, 2023, were submitted into evidence.

The Landlord testified that they are only applying for the additional rent increase with respect to two of the four units at the property, as the other two units are already paying market rent.

The Landlord submitted financial information and documentation to establish the following expenses associated with the rental unit:

Variable Mortgage Rate or Landlord's Mortgage Obligation

- March 12, 2025 – rate of 4.30%
- January 1, 2024 – rate set at 6.55%
- December 31, 2024 – rate set at 4.80%
- January 1 to December 31, 2024 – biweekly payment set at \$2,961.55
- January 1, 2023 – rate set at 5.80%
- December 31, 2023 – rate set at 6.55%
- January 1 to December 31, 2023 – biweekly payment set at \$3,503.46
- January 1, 2022 – rate set at 1.80%
- December 31, 2022 – rate set at 5.80%
- January 1 to December 31, 2022 – biweekly payment set at \$3,253.88

Property Taxes

- 2024 - \$9,163.74
- 2023 - \$8,268.35
- 2022 - \$7,615.71

Property Insurance

- 2024 - \$3,079.70
- 2023 - \$3,166.00
- 2022 - \$2,647.00

In their application, the Landlord indicated that they spent the following on repairs and maintenance:

- 2024 - \$1,760.00
- 2023 - \$3,338.00
- 2022 - \$6,247.00

In their application, the Landlord also indicated that they spent the following on advertising and showing the rental property:

- 2024 - \$1,004.00
- 2023 – \$0.00

- 2022 - \$68.00

The Landlord testified that they own other rental properties as well as the one that is the subject of this decision. The Landlord also testified that they do not use a company to handle their finances, and they do not have certified financial statements to provide.

The Landlord claims a net annual increase in operating costs for this property from 2022 to 2024 of \$25,481.00. Additionally, the Landlord claims an increase in financing costs due to a rise in the mortgage interest rate from 1.80% in 2022 to 4.30% in 2025.

The Landlord requests an additional rent increase of 30.62% for Tenants N.K. and C.K., which would raise their current monthly rent from \$1,267.00 to \$1,655.00. The Landlord requests an additional rent increase of 21.94% for Tenant K.S., which would raise their current monthly rent from \$989.00 to \$1,206.00.

The Tenants opposed the Landlord's request for an additional rent increase, acknowledging the Landlord's financial challenges but asserting that these stem from inflation, for which they do not believe they should bear responsibility.

Analysis

Section 43(3) of the Act states that in the circumstances prescribed in the regulations, a landlord may request the director's approval of a rent increase in an amount that is greater than the amount calculated under the regulations referred to in subsection (1) (a) by making an application for dispute resolution.

Sections 23(1)(a) and (b) of the Regulation states:

- (1) A landlord may apply under section 43 (3) [additional rent increase] of the Act for an additional rent increase, other than for eligible capital expenditures, if one or more of the following apply:
 - (a) the landlord has incurred a financial loss from an extraordinary increase in the operating expenses of the residential property;
 - (b) 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;

[...]

The Landlord's application requests an additional rent increased based upon both a financial loss from an extraordinary increase in operating expenses as well as a financial loss attributable to financing costs for purchase of the rental property. Each of the Landlord's requests is addressed below.

Financial loss from extraordinary increase in operating expenses

Policy Guideline #37D states:

Financial loss [occurs] when expenses exceed revenue over a fiscal year. For example, if the operating costs of a building exceed the revenue generated by the building (usually through payment of rent), this may result in financial loss. The financial loss must be the result of an extraordinary increase in operating expenses...

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.

If there is more than one corporate entity involved with the residential property, a landlord should submit audited or certified financial statements for each of the corporate entities. Factors that the director must consider on such an application include the rent history for the affected rental unit in the 3 years before the date of the application and a change in operating expenses and capital expenditures in the 3 years before the date of the application that the director considers relevant and reasonable.

Audited or certified financial statements provide probative evidence that a qualified professional reviewed the Landlord's expenses, confirmed the accuracy of those expenses, and likely included all appropriate documents to corroborate the correct calculation of the expenses. Audited or certified financial statements also assure that a requested rent increase to cover an extraordinary increase in operating expenses does not operate as a windfall to the landlord in exorbitant profits.

In this case, the Landlord did not provide audited financial statements nor an affidavit in support of financial statements. I find that the absence of this evidence fails to establish the Landlord's financial condition as a whole.

Policy Guideline #37D further provides:

The financial loss must be the result of an extraordinary increase in operating expenses. Extraordinary means very unusual or exceptional. If operating expenses sharply and suddenly increase without warning, it may be

extraordinary. For example, if the cost of a kilowatt hour of electricity doubled in a period of 3 months, this may be considered extraordinary. If the cost of garbage collection increased 7% over the previous year, this would probably not be extraordinary. (emphasis added)

I find that the operating expenses claimed - property insurance, property taxes, repairs and maintenance, and advertising and showing the rental property - do not show a very unusual or exceptional increase over the past three years; therefore, I find that they cannot be characterized as “extraordinary.” Rather, the annual increase in these expenses is intended to be covered by the annual rent increase authorized by the regulation. I also note that the Landlord’s submitted costs for repairs and maintenance have decreased annually.

I find the Landlord has not provided sufficient evidence to establish, on a balance of probabilities, the Landlord has sustained an extraordinary increase in operating expenses.

Financial Loss for Financing Costs of Purchasing the Property

The Landlord further requested an additional rent increase based upon an incurred financial loss due to increased financial costs in financing the rental unit. The Landlord’s application states, and is supported by documentary evidence, that the Landlord financed the purchase of the rental unit with a variable-rate mortgage. As of the Landlord’s application, the mortgage interest rate had risen from 1.80% in January 2022 to 4.30% in March 2025. This, in turn, has increased the Landlord’s monthly payment.

It is a requirement of section 23(1)(b) of the Regulation that the financing costs could not have been foreseen under reasonable circumstances. As variable rate mortgage interest rates often rise (and fall), I find that they are a reasonably foreseeable circumstance. Although the approximate 2.5% increase in the interest rate from 2022 to 2025 may not have been anticipated, it cannot be considered unforeseen under reasonable circumstances. Moreover, because the interest rate is subject to fluctuations, it may also decrease, whereas a rent increase would not be similarly adjusted.

Therefore, I find the Landlord has not provided sufficient evidence to support the application for an additional rent increase due to an extraordinary increase in financing costs that could not be foreseen under reasonable circumstances. The Landlord’s request for an additional rent increase on this basis is dismissed.

Conclusion

The Landlord’s application for an additional rent increase due to an extraordinary increase in operating expenses and financial loss due to financing costs for the purchase of the unit, is dismissed 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: August 14, 2025

Residential Tenancy Branch