

SUN NEW HOMES & CONDOS

The ins and outs of rental increases



SABINE GHALI

PROPERTY MANAGEMENT

Being part of a property management company, I'm often asked about the guidelines that govern rent increases by both prospective tenants and property investors.

This column aims to shed more light on the process and cover the basics of rent increases for Ontario rental properties.

A rent increase can occur for a tenanted property that has not had an increase in at least 12 months. The percentage a landlord may increase rent is controlled by the government of Ontario.

Rent increases in Ontario are pegged to the Consumer Price Index (CPI) which means the increase amount changes from year to year.

The rate for 2015 has been set at 1.6% (for example on \$2000 monthly rent, the maximum increase would be \$32 per month for a total of \$2032).

The Residential Tenancies Act caps increases to a maximum of 2.5% per 12 month period, even if the CPI is higher for that year.

For rent increase to take effect, tenants must be given at least 90 days written notice in advance of the increase. Landlords do this by serving an N1 Form "Notice of Rent Increase" to their tenants per the Landlord Tenant Board (LTB) guidelines.

All LTB approved forms can be downloaded directly from their website. Forms need to be served per the LTB guidelines, such as in person, through courier or mail (additional days for delivery need to be accounted for).

Additional details on approved means of delivery can be obtained through the LTB.

As a landlord if you wish to increase the rent by more than the rent increase guideline for the year, a formal application to — and approval by— the Landlord Tenant Board may be required.

Here are a few scenarios allow landlords to increase rent

above the increase guideline:

1. If the property you own is in a building constructed after 1991 (or no part of the building was occupied for residential purposes prior to November 1991), then landlords are exempt from following the increase guideline. In this case, to increase rent once per year, landlords are required to serve the N2 Form "Notice of Rent Increase Partial Exempt" to their tenants 90 days before the rent increase. Landlords do not have to apply to the LTB for approval in these cases.

2. As the landlord, if you have done major repairs or renovations to the space as a capital expenditure, you may be eligible to increase rent beyond the increase guideline. For this type of increase, you require approval from the LTB. To begin this process you file a Form L5 "Application for Rent Increase above the Guideline Order" with the LTB.

3. If the municipality tax or cost of utilities for the dwelling have increased above the set rent increase guideline plus

50%, landlords may apply to the LTB for approval to increase the rent above the year's increase guideline. As with the preceding scenario filing the Form L5 with the board initiates this process.

Many aren't aware that tenants are entitled to annual interest paid on their rent deposit (last month's rent). The interest rate for rent deposits is identical to the year's rent increase amount, so for 2015 interest on a rent deposit is 1.6%. As well, when rent increases take effect tenants are expected to pay the difference for their last month's rent deposit making it equal to their currently monthly rent amount. At their discretion, landlords may also apply the interest on rental deposits as a credit towards last month deposit. In this case the tenant would not give the landlord the difference for last month's rent, nor would they receive interest on the amount on move-out.

Though there's a lot of detail to digest, knowing your rights and responsibilities will make your life as a landlord much easier.

— Sabine Ghali is director of Buttonwood Property Management and an entrepreneur at heart who endeavours to help investors create wealth over time. Visit her at www.buttonwood.ca



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