

AI's Almanac

Issue #157 October 2026

AI's Almanac is intended to provide you with current information about the residential rental industry and tips to help you increase your success in this sometimes challenging business. Each issue will include:

**Really
Did You ↑ Know . . .**

- . . . What Liquidated Damages are?**
- . . . What "Two Opportunities as Prescribed" means?**
- . . . the (really) Difference Between Security Deposits and Pet Damage Deposits?**

The answers might be old hat to some of you, but I hear often enough from clients – veterans included – who misinterpret these terms. So, this month is either a refresher or a bit of a surprise!

Liquidated Damages

I'll start with what they are not:

- They are not a penalty for ending a fixed term tenancy agreement (lease) early.
- They are not a fee.
- They are not related to the rent amount.
- They do not apply to month to month tenancy agreements.

The PAMA tenancy agreement many of my clients use – see June's *AI's Almanac* for the major changes I made to the latest version – has a liquidated damages clause that reads:

LIQUIDATED DAMAGES. If the tenant breaches a material term of this Agreement that causes the landlord to end the tenancy before the end of any fixed term, or if the tenant provides the landlord with notice, whether written, oral, or by conduct, of an intention to breach this Agreement and end the tenancy by vacating, and does vacate before the end of any fixed term, the tenant will pay to the landlord the sum of \$ as liquidated damages and not as a penalty for all costs associated with re-renting the rental unit. Payment of such liquidated damages does not preclude the landlord from claiming further rental revenue losses that will remain unliquidated.

This is a bit wordy and legalistic, unlike most clauses in the agreement; it's worded that way so arbitrators who may not understand liquidated damages can't find a loophole to deny a claim.

In plain English, liquidated damages are the cost to find a new tenant if an existing tenant ends a lease before the end of the term. The rationale is that the landlord did not plan to need to find new tenants before the end of the term, so the cost is unexpected – perhaps even unbudgeted.

Because the tenant broke the contract, the tenant must "liquidate" the financial "damages" caused to the landlord.

What's the cost to find new tenants? It includes direct expenses such as advertising, credit checks, and the cost of time – yours and the company's – to prepare the ad, complete internal paperwork, travel to the building to show the unit, time to interview prospects and show suites, as well as the administrative work involved in ending the broken lease and creating a new tenancy agreement, changing records, etc. Most of my clients use a figure between \$500 and \$900. It is an estimate and should reflect rerenting a typical suite, usually a two bedroom unit.

If there is a liquidated damages clause in your tenancy agreement, always enter a reasonable dollar amount, and never use half a month or a full month's rent.

Two Opportunities as Prescribed

This one needs some context. Section 23 (move-in) and section 35 (move-out) of the Residential Tenancy Act read, *"The landlord must offer the tenant at least 2 opportunities, as prescribed, for the inspection."*

These are two of the very few sections of the Act, part of which are poorly worded. The wording seems to say you must give a tenant 2 choices to pick from, e.g. 1:00 or 2:15 pm. You must be familiar with reading legislation to note the two words: *as prescribed*. They mean, look for something more someplace else, almost always in a regulation and that's the case with this section.

Section 17 of the Residential Tenancy Regulation defines (prescribes) 2 opportunities differently than the wording in the Act implies.

The first opportunity is the landlord suggesting a time for the inspection. If the tenants agree, nothing more is required. However, I recommend an email or text to the tenants, confirming the agreed time.

If the tenants don't agree, the landlord must give them a chance to suggest a different time. If the landlord agrees, nothing more is required. See above.

If the landlord doesn't agree, (or amicable agreement can't be reached), the second opportunity is on a government form served on the tenants: Notice of Final Opportunity to Schedule a Condition Inspection. (RTB Form 22).

There are different situations where the second opportunity is needed:

- The tenants are unreasonable, i.e. they suggest 2:00 am or 3 days after the tenancy ends.
- The tenants don't respond to the landlord if the first opportunity was offered by email.
- The tenants have "gone dark;" they don't respond to emails, phone calls, texts, and won't answer their door.

In the latter case, around the middle of the last month, post a note on the door with the first opportunity. Wait for 3 or 4 days; if no response from the tenants, post the Notice of Final Opportunity.

Security and Pet Damage Deposits

First, let's get the wording correct: Not a damage deposit and not a pet deposit. This isn't semantics; there is good reason to use the correct words.

The Residential Tenancy Act defines a security deposit as money on deposit with the landlord against any obligation the tenant may have at the end of the tenancy. A pet damage deposit is what the words suggest: a deposit against any damage caused to the rental unit or the residential property by a tenant's pet.

What does "any obligation" mean? It includes unpaid rent, unpaid parking or storage fees, late rent fees, and any damage to the suite or common areas caused by the tenant or the tenant's guests. Because it is "any" obligation, it also includes damage caused by a pet.

You can only claim against a pet damage deposit for pet caused damage; however, if the deposit doesn't cover the full costs, you can also claim against the security deposit.

A final reminder: these deposits always belong to the tenants – on deposit with you – until they agree in writing you can keep some or all the money, or you file a claim and an arbitrator issues an order that you can keep \$XXX. Unilaterally keeping anything from a deposit could end up with you being ordered to pay double the entire deposit to the tenants.ß

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