



public works  
& infrastructure

Department:  
Public Works and Infrastructure  
REPUBLIC OF SOUTH AFRICA

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Issued by Chief Directorate: Communications

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## **MEDIA STATEMENT**

### **DEPARTMENT OF PUBLIC WORKS & INFRASTRUCTURE SETS RECORD STRAIGHT ON RENTAL DISPUTES**

The Department of Public Works and Infrastructure (DPWI) wishes to set the record straight regarding the illegal closure of buildings in Pretoria by a landlord who claimed rent has not been paid by the DPWI. It is important to note that the closing of the buildings is illegal as no court order has been granted to evict the client departments or close the buildings.

Instead, the allegations and illegal actions were an attempt to deflect from the evidence of overpayments which the DPWI has presented to multiple landlords and is in the process of resolving. Whilst most landlords are working with the DPWI in good faith to correct these problems, one landlord in Tshwane engaged in unethical conduct through the illegal action of shutting the buildings housing several government departments and institutions.

The DPWI remains committed to resolving the matter speedily, in good faith, cost effectively and with a view to finding a long-term solution to correct the issue of landlords charging the state inflated rental costs. Through the landlord's consultant, negotiations with the DPWI resulted in a commitment to unlocking the buildings.

#### **Background**

The Department of Public Works and Infrastructure is responsible for providing accommodation to multiple state Departments and entities. In the city of Tshwane, the DPWI leases a number of buildings for government departments from several landlords. With regards to instances of overpayments, the majority of landlords have cooperated with the department's processes to recover overpayments.

Since 2019 the DPWI has been engaged in a process to review and clean up our leasing portfolio through

- Reviewing the price per square meter we have been paying,
- Investigating the invoices we have received;
- Assessing the value and condition of the buildings we have been leasing;
- Reviewing the costs of our month on month leases and
- Scrutinising our historical and long term leases.

In addition, the President signed a Proclamation enabling the SIU to probe leases that the Department has with landlords.

These multiple processes have uncovered several issues that the Department is undertaking in remedying. Chief among these has been correcting situations where landlords have been overpaid. In several cases, the prices per square meter have been inflated well above market rates and in other instances invoices were submitted more than once for the same thing.

These findings led to a benchmarking exercise of rental rates across the country, with the specific focus on Tshwane. The benchmarking exercise confirmed that, in many cases, the DPWI was being charged well above market rates by some landlords.

The DPWI subsequently used this evidence to negotiate lower rentals in line with the current industry standards. In December 2021 the DPWI reached an agreement on new pricing with most landlords and new lease agreements were signed.

We have been meeting with landlords who are disputing the DPWI payment records and gave notice to these landlords that we would stop paying rent going forward, using the advance (historical overpayment) that is already with the companies to correct the overpayments. Our client departments were also made aware of these developments. One landlord in Tshwane who has been overpaid, however, didn't accept the deal DPWI put on the table.

From this landlord, the DPWI is leasing 17 buildings for six Departments: National Treasury, the South African Police Service, the Department of Water & Sanitation, the Department of Higher Education, the Department of Justice and Department of Defence.

To show good faith, we continued to engage, trying to find a middle ground. When no agreement was reached, we went ahead with not paying rent as per the notice given to the landlords. In response to this, this one landlord in Tshwane then closed their buildings.

It is important to note that closing the buildings and shutting out our client departments is illegal as no court order has been granted for this action. The landlord has also not elected to seek relief from the courts in claiming further inflated rental costs from the state.

Through the landlord's consultant, subsequent negotiations with the DPWI resulted in a commitment from the consultant to unlocking the buildings.

The DPWI remains committed to negotiating in good faith so that our client departments are not inconvenienced further. We have offered the landlord a number of incentives to bring them to the negotiating table and reassure our client departments and the country that DPWI is committed to resolving the matter speedily, cost effectively and with a view to finding a long-term solution to the issue of inflated rental costs.

**Ends**

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