

Progressive Property & Construction Daily



27 June 2022: KLR | News - 10-year private mega-framework for London's "mini-Manhattan"; Resi-to-office move

A round-up of market statements, news, economics and views from the property and construction sectors

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Company news

Keller Group (KLR, 700p, £509m mkt cap)

World's largest ground engineering group, with 60% exposure to North America. Trading update, contract. *Guidance:* "The Group is trading as anticipated in the first half of the year and the Board's expectations for the full year remain unchanged. As previously indicated, we expect 2022 to be a year of growth, with full year performance to have the customary second half weighting, and to reflect our usual increase in trading momentum as the year progresses. As previously highlighted, across the group we have successfully passed on a significant portion of cost increases in the form of higher prices, preserving the absolute level of profitability, whilst the relative measure has been affected by materials shortages, the residual unrecovered inflation and the dilution effect of the material costs passed through to clients. We continue to refine our South West Europe and our Middle East & Africa business units, both of which still retain a legacy of geographically dispersed locations which will benefit from further rationalisation and reorganisation". *Dividends:* the Board is announcing a 5% increase in the interim dividend to 13.2p and will also be reviewing a further increase to the final dividend in respect of the current year "as part of a return to a progressive dividend policy, as well as reviewing other options for capital returns". *Trading:* Order book expected to be around £1.5bn at the half year, "increasing our confidence as we enter the second half of the year and illustrating the group's resilience in the current environment". Prospects are encouraging in the energy and infrastructure sectors, in particular

as a result of migration from Russian hydrocarbons”. There is a resurgence globally in liquified natural gas (LNG) activity, where Keller has both a well-established presence. With its focus on US Gulf Coast LNG projects, the recent RECON acquisition continues to perform ahead of expectations. **Contract:** Keller is one of a small number of geotechnical contractors to have been selected to undertake work on the NEOM Giga project in the Tabuk Province of Saudi Arabia. The first element of is ‘The Line’, a 170-kilometre-long ‘mega-city’, starting in the west at the Gulf of Aqaba, continuing through the Sharma Valley and terminating at the NEOM International Airport within the upper valley region. The Line is subdivided into approximately 135 modules, each of eight buildings. Keller has signed an umbrella Framework Agreement in respect of the project, and is mobilising for an anticipated first works order on a portion of Module 40 which has an expected value to Keller of around £50m, with the work anticipated to be completed within the next twelve months. Further works orders are expected to be awarded later in the year on subsequent modules. “We have a longstanding presence in Saudi Arabia. Keller is very well positioned to participate in the future geotechnical work, with the potential to generate contract revenues in the hundreds of million pounds in future years”. HY results, 2 August. **Viewpoint:** an interesting trend in increased LNG-related construction.

In other news ...

Contracting. Privately-owned construction group **Mace** has signed what is thought to be one of the largest private construction frameworks in London with a £2bn deal to build out the next phase of Knight Dragon’s Greenwich Peninsula scheme, Building ([link](#), paywall). The 10 year contract will give the c. £1.5m pa revenue firm exclusive rights to carry out work at the site, with a likely capital value of about £2bn “to build out a mini-Manhattan”. The number of buildings covered by the framework is 21 projects with towers between eight and 34 storeys. **Viewpoint:** Possibly a significant take-up of the ‘framework’ concept from public and regulated sectors to the commercial and residential sectors, where contracts have traditionally been awarded on more of a one-off, competitive basis.

Resi-to-office. A £2.5bn London project has applied for a change in planning from residential to net-zero offices, ConstructionEnquirer.com ([link](#)). The application represents a change from the consented residential building to raise the amount of commercial space provided across the Bankside Yards project next to Blackfriars Bridge. Native Land plans to develop an 18-storey office building, “designed by Make Architects, to standards of design, sustainability and wellbeing rarely found in the London commercial market”. **Viewpoint:** It’s not clear at present whether this involves all of the residential units being replaced by commercial, but it seems to represent more of an unexpectedly strong trend in the City towards green ‘statement’ offices rather than developers getting cold feet about high-end residential demand in an arguably over-supplied riverside market.

Prices are as at the previous day’s close.

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