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## Riding the data centre wave

The Star, Malaysia



AS Malaysia steps into 2025, the country's data centre industry is buzzing with activity, spurred by a convergence of artificial intelligence (AI) adoption, robust investments from hyperscalers, and strategic policy frameworks.

Yet, the nation's position as a prime data centre hub faces mounting challenges from regional players like Thailand and Vietnam, eager to carve their share of the lucrative market.

Despite the increasing competition, Malaysia's unique proximity to Singapore and its strategic investments in infrastructure continue to position it as a strong contender in South-East Asia's data centre boom.

Kenanga Research in its recent report notes that Singapore remains the leader in the region's data centre landscape, boasting over 1.4 gigawatts (GW) of capacity and housing more than 70 facilities.

Global tech giants like Google have committed billions to the island nation, further cementing its status as a hyperscaler hub. However, with limited land and strict sustainability policies, Singapore's expansion is constrained, creating opportunities for its neighbours.

"Singapore has earmarked 300 megawatts (MW) of additional capacity for data centres that could be brought onstream, with another 200MW reserved for green data centres," states Kenanga Research, adding that the spillover effect to Malaysia is expected to persist, as companies seek to capitalise on Malaysia's strategic location, competitive costs and growing infrastructure to meet hyperscale demands.

Malaysia has emerged as a key destination for data centre investments. Notable projects, such as Princeton Digital Group's (PDG) 52MW green data centre campus in Johor, underscore the country's appeal. PDG highlights that "hyperscalers make up 80% of its business," reflecting the demand from major players leveraging Malaysia's favourable conditions.

Between 2021 and 2023, Malaysia approved an impressive RM114.7bil in data centre investments. This positions the country as a go-to alternative for hyperscalers seeking scalability without compromising latency-sensitive operations.

# Riding the data centre wave

■ **Malaysia is a strong contender in South-East Asia's data centre boom**

■ **Allocation of resources by big tech is still mainly concentrated in Malaysia in terms of value**

■ **Sectors that could give further upside are construction, property, utilities, technology and telecommunications**

## New contenders

While Malaysia holds the upper hand, Thailand and Vietnam are not sitting idle.

In Thailand, investments from Oracle, Amazon Web Services, and Microsoft signal a growing appetite for data centre infrastructure.

The Thai Board of Investment reports 38 data centre and cloud service projects valued at 98.5 billion baht, alongside progressive policies like a direct power purchase pilot project and reforms on wheeling charges.

Vietnam is making inroads with regulatory changes, such as lifting foreign ownership restrictions for data centre investors. Nvidia's recent agreement to establish an AI research and development centre further cements Vietnam's ambitions.

"All said, at the moment, it appears clear that the existing allocation of resources by big tech is still mainly concentrated in Malaysia in terms of value," says Kenanga Research, suggesting that the momentum remains in Malaysia's favour for now.

## Beneficiaries

Meanwhile, the data centre boom has spillover benefits for various sectors in Malaysia, from construction and utilities to technology and telecommunications.

Kenanga Research points out that the adoption of AI, particularly generative AI, fuels this demand, with companies racing to establish training and inferring capabilities. Malaysia's

unveiling of its local large language model, ILMU0.1, and the establishment of a national AI office underscore the country's commitment to leading AI development in the region.

In terms of sustainability, Malaysia's regulations encourage innovative practices without being overly restrictive. For example, data centres are now required to avoid areas with a water stress index above 0.8.

This aligns with global trends while ensuring resources are managed responsibly. Green energy initiatives, such as the corporate renewable energy supply scheme, are also gaining traction.

The recent agreement between Bridge Data Centres and Tenaga Nasional Bhd (TNB) to secure long-term renewable energy supply illustrates the growing synergy between the data centre industry and solar energy players.

Kenanga Research notes that Malaysia's contractors are rising to the challenge of delivering data centres under increasingly stringent requirements. It highlights that Gamuda Bhd, for instance, has started offering "innovative bundled solutions" that integrate water infrastructure and power connectivity into their pitches for data centre projects.

This holistic approach not only addresses sustainability concerns but also enhances the appeal of Malaysia as a destination for data centre investments, it argues.

The brokerage projects that in aggregate, the sectors that could give further upside would be

construction, property, utilities, technology and telecommunications, in that order.

Kenanga Research estimates a potential market of RM20bil for construction companies involved in data centre projects, based on an assumption of 700MW annual rollout.

Construction players like Gamuda, Sunway Construction Group Bhd, and IJM Corp Bhd could see significant upside, securing up to 50% market share, it adds.

In the property sector, developers like Sime Darby Property Bhd are capitalising on the build-and-lease model, offering steady returns and recurring income. In addition, landowners can monetise their holdings by partnering with data centre operators, with demand for land projected to rise.

Utility companies like YTL Power International Bhd, on the other hand, are poised to benefit from increased energy demand. For TNB, meanwhile, it is estimated that every 0.5 basis point increase in energy demand would improve the counter's target price by RM1.30.

In the technology sector, Kenanga Research says that firms specialising in data centre equipment, such as switches and servers, stand to gain.

Nationgate Holdings Bhd and PIE Industrial Bhd, for example, are projected to benefit from the fit-out phase of data centres, with contributions to forecast earnings exceeding 30%.

In the telecommunications industry, Telekom Malaysia Bhd remains a key player, leveraging its extensive submarine cable network to support data centre operations.

Under banking, Kenanga Research notes that green financing opportunities are also emerging, with banks like Malayan Banking Bhd and CIMB Group Holdings Bhd actively involved in data centre deals. These green loans align with the broader sustainability goals of the industry.

Overall, with a robust ecosystem in place and strong support from both the government and private sectors, Malaysia's data centre industry looks set to maintain its lead in South-East Asia.