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DC investments shift value

The Star, Malaysia

TECHNOLOGY

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PETALING JAYA: Malaysia's data-centre (DC) investment opportunities are increasingly shifting from construction-led beneficiaries towards owners of recurring-revenue infrastructure, particularly utilities, renewable energy providers and connectivity operators as the industry matures.

According to BIMB Securities Research, the focus of the DC industry is shifting towards energisation, commissioning and utilisation growth from 2026 onwards, making operational capacity a more important metric than announced capacity.

"The next stage of Malaysia's DC story will be determined less by the volume of investment announcements and more by the industry's ability to translate committed projects into energised and revenue-generating capacity.

"Operators with superior execution capability, reliable utility access and AI-ready infrastructure are likely to emerge as the primary beneficiaries of this transition," the research house said in a report yesterday.

BIMB Research said utility providers, fibre network operators, contractors, and local authorities now play "a more decisive role in determining the pace of industry expansion".

It noted the ability to secure reliable electricity supply, water resources, and network connectivity has become the key differentiator between projects that can be commissioned on schedule and those that face delays.

As a result, execution capability is replacing land ownership as the primary factor for value creation within the sector.

> "The shift in beneficiaries would continue as the DC ecosystem expands across different layers, from the construction of facilities and installation of racks and graphics processing units to the electricity, water, renewable energy and cooling systems needed to support their operations."
>
> Vincent Lau

An analyst with a local brokerage told *StarBiz* that the growing importance of infrastructure operators should not be seen as "a complete handover" from construction players, given the sizeable pipeline of DC projects that has yet to be completed.

"There is still a significant pipeline of projects under construction, so contractors and mechanical and electrical players should continue to see strong order flows in the near term," he added.

From a medium to long-term perspective, however, the analyst said he favours power and connectivity, given their recurring-revenue characteristics and the essential role they play once DCs become operational.

He said Tenaga Nasional Bhd (TNB) was among the clearest beneficiaries on the power front, while Telekom Malaysia Bhd and TIME dotCom Bhd offered exposure to growing demand for high-capacity fibre connectivity.

Also, renewable energy is another area to watch as hyperscalers increasingly seek to procure green electricity to meet their sustainability commitments.

Meanwhile, Rakuten Trade head of equity sales Vincent Lau said the shift in beneficiaries would continue as the DC ecosystem expands across different layers, from the construction of facilities and installation of racks and graphics processing units to the electricity, water, renewable energy and cooling systems needed to support their operations.

He maintained that there was still upside for companies in the value chain of the DC sector even at current toppish valuations, saying there was still "much growth" ahead for Malaysia's DC sector, with another "two years or so" of expansion as land sales are still ongoing.

"With the fresh escalation of the conflict in the Middle East and the resulting 'Middle East + 1' strategy, we should continue to see benefits.

"The demand for AI and DCs is real as seen from the earnings result of Dell Technologies Inc yesterday.

"Although some may say we are getting too many DCs and do not have enough water or electricity, the government has addressed that.

"DC operators will be more selective, but there is still room to grow for the DC space here.

"The initial beneficiaries are Sunway Construction Group Bhd, Kerjaya Prospek Group Bhd and other contractors, who are involved in the construction of the shell of the DCs," Lau said.

"Once the buildings are completed, the focus will shift to fitting them out with racks and servers, benefiting companies such as SNS Network Technology Bhd and VSTECS Bhd, followed by pipe contractors such as ISF Group Bhd, as well as clean-room and other infrastructure providers such as iCents Group Holdings Bhd."

BIMB Research said it remains constructive on the DC theme for selected property developers, although it expects the market to become increasingly selective in assessing exposure.

"Not all DC-related land banks create equal shareholder value," the research house added.

"We favour monetisation models supported by recurring income streams, followed by executed or binding land transactions that provide clear earnings visibility.

"In contrast, uncommitted landbank exposure should continue to attract a meaningful discount until power allocation, counterparties and transaction structures are secured," BIMB Research said.

It said DC-related land transaction activity has rebounded strongly in the first half of financial year 2026 (1H26) but quality matters more than volume.

Evidently, Knight Frank Malaysia recorded about 568 acres of land transactions for DCs worth RM2.45bil during the period, compared with 92 acres valued at RM464mil in 2H25.

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Digital infrastructure operators to expand capacity

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Meanwhile, DC transactions accounted for about 37% of the RM6.55bil total land acquisition value tracked during the half, making the sector the largest contributor by value in Knight Frank's survey.

"The sharp increase confirms that developers, hyperscalers and digital infrastructure operators remain committed to expanding capacity in Malaysia.

"However, we caution against extrapolating the fivefold to sixfold increase in activity as a sustainable growth trajectory," BIMB Research said.

"The comparison benefits from a relatively weak 2H25 base, while approval processes are becoming more rigorous as regulators place greater emphasis on electricity availability, water sustainability and local economic contributions."

It also continues to view recurring-income platforms as the most attractive form of DC exposure. Sime Darby Property Bhd's RM1.25bil New Economy Venture Fund remains the clearest local example.

"Supported by institutional investors including Employees Provident Fund, Armed Forces Fund Board and Great Eastern Life Assurance Malaysia, the platform enables the group to participate across multiple stages of the value chain through development, leasing and asset management activities while periodically recycling capital into new opportunities," BIMB Research said.

"This structure provides a more sustainable earnings profile compared with outright land disposals, which are inherently episodic and transaction-driven. Malaysia currently lacks a confirmed listed pure-play DC real estate investment trust (REIT).

"Although several property developers have explored broader REIT initiatives, none should currently be regarded as a definitive DC REIT pipeline. Nevertheless, these efforts demonstrate management teams' increasing focus on asset monetisation and capital recycling strategies."

On its investment view, BIMB Research said among listed beneficiaries, it continues to favour TNB and Solarvest Holdings Bhd as its preferred exposures to the sector's structural growth.

It is of the view that TNB remains the clearest beneficiary, as every operational DC requires electricity.

Rising DC demand should support long-term growth in grid connections, electricity sales, regulated asset expansion and earnings visibility.

"Unlike contractors whose earnings are largely tied to project construction, TNB benefits throughout the operating life of each facility, resulting in a more defensive and recurring earnings profile. Solarvest provides complementary exposure through the renewable-energy value chain.

"As hyperscale operators increasingly pursue renewable-energy procurement to meet global environmental, social and governance commitments, demand for utility-scale solar projects, corporate power purchase agreements, rooftop solar systems and battery energy storage solutions is expected to strengthen.

"Solarvest's capabilities across engineering, procurement, construction and commissioning, asset ownership and energy management position it well to capture these opportunities."