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'MALAYSIA SOLIDIFYING POSITION'

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PREFERRED SOUTHEAST ASIAN DATA CENTRE HUB

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This is backed by ample land and cost competitiveness, says HLIB Research

KUALA LUMPUR

MALAYSIA is cementing its position as Southeast Asia's preferred data centre hub, with construction opportunities linked to the sector estimated to be worth up to RM180 billion over the next few years.

Hong Leong Investment Bank Bhd (HLIB Research) said the data centre investment narrative remained "firmly in place", driven by Malaysia's ample land availability, cost competitiveness and faster deployment compared with regional peers like Indonesia, the Philippines and Vietnam.

"Malaysia is no longer just a

spillover market from Singapore. It is the go-to destination for hyperscalers," it said in a thematic note following its 19th Bursa Malaysia-HLIB Stratum Focus Series.

Citing Tenaga Nasional Bhd's (TNB) 6.4 gigawatt data centre pipeline and projected construction and engineering costs of RM30 million to RM40 million per megawatt, HLIB Research estimated the pipeline could generate RM120 billion to RM180 billion worth of contract value.

"This is four to six times larger than the total contract awards tracked during the light rail transit rollout years, and two to three times more than the peak of mass

rapid transit-related disbursements in 2016," it said.

In the first quarter, Malaysia approved RM90 billion in investments. Of that, RM35 billion, or 93 per cent of the information and communications subsector, was related to data centres.

HLIB Research said most operators were sitting on ample undeveloped landbanks, enough to support phased build-outs over the next one to two years.

This points to a market entering a consolidation phase, not a slowdown in construction activity.

To support the anticipated surge, HLIB Research expected a sharper focus on power and water infrastructure upgrades, especially as next-generation data centres adopt artificial intelligence and quantum computing workloads.

"These newer workloads require four times more power and specialised cooling systems. Hence, a timely infrastructure rollout will be critical," it said.

Among the companies expected to benefit from the boom are LJM Corp Bhd, MN Holdings Bhd and Master Tec Group Bhd.

LJM, which has submitted several tenders this year, is seen as a "prime laggard-play" in the construction sector.

It has three ongoing projects in Johor and has made inroads with international players seeking to expand hyperscale infrastructure in Malaysia.

MN Holdings stands to gain from TNB's planned rollout of 500 kilovolt (kV) substations in Johor's hotspots.

Its RM1.1 billion order book is made up of about 90 per cent substation engineering work. It is

also seeing strong demand for high-voltage transmission jobs, especially in the 275kV segment, which offers better margins.

Cable manufacturer Master Tec is expanding into the production and trading of higher-voltage cables to meet growing demand from data centre projects and TNB's transmission infrastructure.

It added new medium-voltage capacity and is targeting entry into the 33kV and 275kV segments to strengthen its position in Malaysia's power infrastructure market.

HLIB Research identified TNB, YTL Power International Bhd, Solarvest Holdings Bhd, Southern Cable Group Bhd, SMRT Holdings Bhd, Gamuda Bhd and Telekom Malaysia Bhd as key data centre beneficiaries under its coverage.