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## 'Overweight' rating kept on construction sector

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### DATA CENTRE BOOM

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**KUALA LUMPUR:** The construction sector is set to ride the booming data centre industry, which could generate RM58.7 billion to RM68.7 billion worth of construction opportunities across Johor, Kuala Lumpur and Port Dickson.

RHB Investment Bank Bhd (RHB Research) said Tenaga Nasional Bhd (TNB) has signed five electricity supply agreements this year for seven data centre projects nationwide, with a combined power capacity of 733 megawatts (MW) as of Aug 15.

Using a conservative benchmark of RM20 million construction cost per MW, this translates into about RM10.5 billion in job value.

Johor leads with 1,473MW of committed capacity, while Kuala Lumpur has 960MW planned. In Port Dickson, Pearl Computing Malaysia's 157ha site earmarked for data centre development could accommodate between 500MW and one gigawatt (GW).

"The total planned capacity of between 2,933MW and 3,433MW in these three areas could translate into a construction value of RM58.7 billion to RM68.7 billion."

RHB Research said contractors remain busy with jobs on hand, alongside upcoming projects. The value of work done hit RM43.9 billion in the second quarter, up 13 per cent year-on-year, a record high.

Following the recent earnings season, four of the nine construction companies under its coverage exceeded expectations, while five fell short.

RHB Research maintained its "overweight" call on the construction sector, naming Gamuda Bhd, Sunway Construction Group Bhd and Binastra Corp Bhd as top picks.

Beyond data centres, contractors are eyeing several large-scale infrastructure projects, including the RM6 billion to RM7 billion Johor Automated Rapid Transit, with awards expected by year end.

Other key projects include Penang Light Rail Transit (LRT)

tenders worth RM3 billion to RM4 billion in the second half of 2025, while tenders for segment two of the Penang LRT (Komtar-Penang Sentral), valued at RM5 billion to RM6 billion, could be advertised in October.

In the longer term, the 13th Malaysia Plan's RM430 billion for development expenditure between 2026 and 2030, the largest in history, is expected to fuel demand for construction services.

RHB Research said the Bursa Malaysia Construction Index is trading at a forward price-to-earnings of 18.3 times, suggesting more upside as valuations remain reasonable compared to the last upcycle in 2017.