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DC projects, infra devts to continue propping construction sector

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**James Wong**jameswong@theborneopost.com

KUCHING: The construction sector is expected to see strong contract flows over the next three months driven by a steady pipeline of data centre projects and upcoming public infrastructure developments.

Analysts at Kenanga Investment Bank Bhd (Kenanga Research) said that as of end-August, a total of RM126.7 billion worth of main contractor contracts had been awarded, which they noted is on track to meet the full-year 2025 target of RM180 billion in contract awards.

It said that government projects made up 26 per cent of the total, while private sector projects accounted for 74 per cent.

"Although this represents just 55 per cent of 2024's total of RM230.4 billion, it is broadly in line with RM127.6 billion recorded in the first eight months of 2024. We maintain our annual contract award forecast of RM180 billion for 2024-2026.

"We believe more awards are on track, underpinned by ongoing public projects and robust private sector activity, particularly in data centres. The upcoming Sabah State Election should also accelerate

contract flows in the state," it said in a note on Wednesday.

Kenanga Research remains positive on the sector's upcycle heading into the fourth quarter of 2025, citing progress in both public and private projects.

Among the major infrastructure projects in the pipeline are the Penang LRT Mutiara Line Packages 2 and 3, Penang Airport expansion, Phase 2 of the Pan Borneo Highway, Sabah-Sarawak Link Road, Subang Airport redevelopment, and the Johor LRT/ART.

While the timeline for the MRT3 project remains uncertain despite final approval from the Transport Ministry, the KL-Singapore High-Speed Rail is seen as a potential medium-term catalyst.

Other pending projects include the Upper Padas Water Dam in Sabah and the EPCC contract for the Kerian Water Project in Perak, although Gamuda Bhd has already secured both water concessions.

On the private front, the research house noted that data centre developments are set to remain a major growth driver.

In the first half of 2025, US tech giants Microsoft and Pearl Computing acquired land in Malaysia for data centre expansion. Gamuda sold a 389-acre parcel of land in Springhill Industrial Park, Port Dickson to Pearl Computing for RM455.2

million in May, alongside RM1 billion in enabling infrastructure works.

"This positions Gamuda well for future projects on the site, which can support 800MW to 1,000MW of data centre capacity, translating into RM14 billion to RM20 billion worth of contracts," it said.

According to Tenaga Nasional Bhd, seven data centre projects with a combined capacity of 733MW signed Energy Supply Agreements up to mid-August 2025.

This brings the cumulative total to 47 projects, equivalent to 6,700MW, of which 24 projects totalling 3,500MW have been completed.

It said it expects the data centre boom to persist for at least the next two years and maintains its assumption of 700MW in new capacity annually, equivalent to about RM21 billion in construction contract value each year.

The research house maintained its 'overweight' call on the sector despite slower-than-expected roll-outs of public projects. It remains bullish due to sustained demand from the data centre segment and continued capital expenditure from global technology firms.



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