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Data centres to drive construction growth

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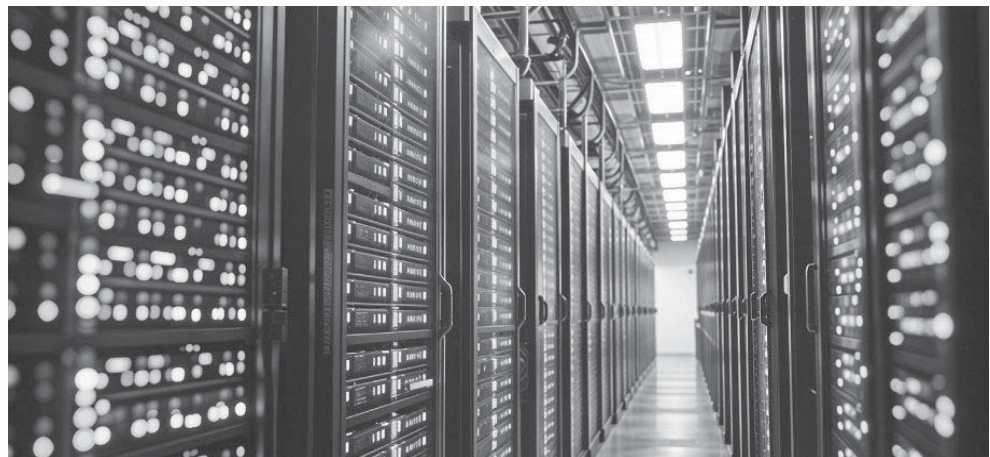
KUALA LUMPUR: Data centre projects are expected to remain a key growth driver for Malaysia's construction sector, supported by hyperscaler expansion, growing investments in digital infrastructure and rising power requirements, according to MBSB Bank Investment Bhd (MBSB IB).

In a research note, MBSB IB said major construction companies such as Gamuda Bhd, IJM Corp Bhd and Sunway Construction Group Bhd (SunCon) continue to benefit from the expansion of data centre developments in Malaysia.

"Their capabilities in digital infrastructure and industrialised building systems (IBS) have enabled them to secure significant data centre projects, particularly from hyperscale clients with demanding timelines," it said.

MBSB IB said as at December 2025, Tenaga Nasional Bhd (TNB) had a pipeline of 56 data centre projects with a maximum demand of 7.5 gigawatts (GW), of which 35 projects with a combined demand of 4.5GW were operational, while 18 new electricity supply agreements totalling 1.7GW were signed during the year.

"Against this backdrop, major contractors such as Gamuda, IJM Corp and SunCon continue to benefit from growing demand for hyperscale data centre facilities,



securing sizeable contracts from global technology companies," it said.

It said with between RM13 billion to RM14 billion worth of major data centre construction contracts and several mechanical and electrical packages expected to be awarded in the second half of 2026 (2H 2026), data centres are likely to remain a key source of order book replenishment and earnings growth for the sector over the medium term.

Reviewing the sector's 1Q 2026 results, MBSB IB said earnings were mixed, with Gamuda and SunCon outperforming expectations, while IJM Corp,

WCT Holdings Bhd and Malaysian Resources Corporation Bhd reported softer earnings.

"Despite the mixed 1Q 2026 earnings performance, underlying earnings remained resilient, supported by stronger progress billings, healthy order book replenishment, faster project turnaround and improved margins from data centre projects," it said.

The research house noted that the value of construction work done increased by 8.5 per cent year-on-year in 1Q 2026, marking the sector's 13th consecutive quarter of expansion, supported mainly by civil engineering works,

non-residential buildings and specialised construction activities.

The research house maintained its positive outlook on the sector, with Gamuda, SunCon and Malayan Cement Bhd as top picks. Strong construction activity, data centre investments and infrastructure developments are expected to underpin growth prospects, it said.

MBSB IB upgraded its recommendation on SunCon to "Buy" from "trading buy" with an unchanged target price of RM7.90, citing its strong execution track record, sizeable order book and exposure to data centre projects. – BERNAMA