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A boom centred on data centres

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MALAYSIA'S construction boom is increasingly pivoting around something that barely featured in contractors' order books a few years ago – data centres (DCs).

The latest numbers show just how quickly the landscape is changing.

MBSB Research said DC construction awards reached RM9.72bil in the first eight months of 2026, already surpassing the RM9.26bil recorded for the whole of 2025.

The average award size has also risen to RM972mil from RM892mil last year.

The latest big-ticket example is Gamuda Bhd's RM3.57bil award for two hyperscale DCs in Port Dickson, Negri Sembilan.

But the more revealing numbers are now emerging from contractors' order books.

BIMB Securities Research found that DC exposure has broadened significantly beyond Sunway Construction Group Bhd (SunCon).

DC projects now account for about 70% of SunCon's RM10.5bil order book, 16% of Gamuda's RM59.6bil and an estimated 22%-25% of IJM Corp Bhd's RM14.5bil backlog.

This suggests the DC boom is no longer simply a story about one or two specialist contractors. It is becoming a sector-wide earnings driver.

But Kenneth Leong, head of research at Berjaya Research, cautions against viewing the boom as a replacement for the industry's traditional bread-and-butter projects.

"We would not frame DC-related construction as offsetting a slowdown in traditional construction, as Malaysia's public infrastructure pipeline remains supportive," he tells *StarBiz* 7.

Instead, he sees DC construction as an "incremental growth engine rather than a replacement for traditional construction."

Two construction engines

As it is, Malaysia still has a substantial pipeline of roads, railways, water and flood-mitigation projects.

MBSB Research estimates RM12bil to RM14bil of public infrastructure awards are visible for the second half of 2026, led by rail and water projects.

Pan Borneo Highway Phase 2, Sarawak-Sabah Link Road Phase 2 and Mass Rapid Transit 3 remain significant potential projects, while the RM430bil development expenditure under the 13th Malaysia Plan provides a longer-term foundation for infrastructure spending.

The latest BIMB Securities Research report reinforces that the traditional cycle remains intact.

It maintains an "overweight" call on the construction sector, saying the latest earnings season was broadly resilient, with covered contractors generally meeting or beating expectations.

What has changed is that contractors now have another major source of order-book replenishment.

The government is building the physical infrastructure while

■ Data centre boom is no longer a story about one or two specialist contractors

■ Public infrastructure is ultimately backed by government policy and development expenditure



Leong: Data centre construction is an incremental growth engine rather than a replacement for traditional construction.

hyperscalers are increasingly building its digital infrastructure. And, increasingly, the same companies are doing both.

No company illustrates the transformation more clearly than SunCon.

BIMB Securities Research estimates about RM7.4bil of its RM10.5bil order book is tied to DCs, while its active DC tender pipeline exceeds 700MW.

MBSB Research had estimated an even higher DC concentration in its tender pipeline, with 90% of its RM13.5bil tender book related to DCs.

Its recent wins include the RM1.75bil Serendah hyperscale facility and a RM1.02bil mechanical, electrical and plumbing package in Johor.

SunCon also secured RM6.86bil of new jobs by end-June, equivalent to 86% of BIMB Securities Research's revised RM8bil financial year 2026 (FY26) replenishment assumption. SunCon has since raised its full-year target to RM7bil-RM9bil.

For SunCon, DCs have moved well beyond being an additional growth opportunity. They have become central to its earnings story.

Leong sees SunCon and IJM as the contractors best positioned to benefit from the shift, with DC-related projects accounting for more than half of their order books. Their advantage, he said, is not simply the amount of work they have.

"Their sizeable DC exposure, coupled with established track records in delivering hyperscale projects, should equip them with a competitive edge in securing



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follow-on opportunities," Leong says.

That ability to secure repeat work could become increasingly valuable as hyperscalers expand their Malaysian footprints.

Gamuda provides a different model. Its construction order book has now risen to RM59.6bil, according to BIMB Securities Research, following the latest RM3.57bil Port Dickson awards.

Its estimated outstanding DC exposure has risen to RM9.4bil, or about 16% of its order book, from around 10% previously.

More significantly, Gamuda has now secured all four Port Dickson hyperscale packages tendered, worth about RM7bil in total. That gives the company exposure to the artificial intelligence (AI)-driven construction boom while retaining its traditional strengths in major infrastructure.

This diversification could prove valuable if hyperscaler spending eventually slows.

BIMB Securities Research expects Gamuda to see sharper earnings conversion from FY27 as its large early-stage order book moves into peak execution.

Meanwhile, IJM is increasingly straddling the two worlds. BIMB Securities Research puts its construction order book at RM14.5bil, comprising RM7.2bil in Malaysia, RM2.2bil in Singapore and RM5bil in the United Kingdom.

While IJM does not separately disclose its latest DC exposure, the brokerage estimates it at 22%-25% of the group order book. More tellingly, industrial

buildings account for 55% of its domestic order book.

Meanwhile, Binastra Corp Bhd illustrates how the trend is opening opportunities for smaller specialists, with two recent Cheras DC contracts worth RM503mil and RM491.2mil.

DCs creating more traditional infrastructure jobs

Perhaps the most interesting part of the story is that data centres could ultimately generate more traditional infrastructure work rather than less.

Hyperscale facilities require enormous amounts of electricity and water.

That means substations, transmission infrastructure, grid connections, water supply, roads and other supporting facilities.

Leong sees this supporting infrastructure as one of the key factors determining the sustainability of Malaysia's DC cycle.

"We believe Malaysia's DC construction cycle remains sustainable over the next three to five years, supported by structural AI-driven demand," he says. But he adds that "the pace of rollout will hinge largely on the availability of supporting infrastructure, particularly power and water capacity."

This creates a strong feedback loop whereby AI demand drives DCs; DCs drive power and water demand; and those requirements generate more infrastructure projects.

The distinction between traditional and DC construction is therefore becoming increasingly blurred.

There is, however, a fundamental difference between the two construction engines.

Public infrastructure is ultimately backed by government policy and development expenditure. DCs depend on the capital spending plans of a relatively small group of global technology companies.

Leong cautions that the sustainability of the investment cycle will ultimately remain tied to "hyperscalers' capex plans and the evolving requirements of AI infrastructure."

That is the risk contractors and investors will need to watch. For now, however, replenishment remains strong.

BIMB Securities Research said Gamuda had secured about RM7.3bil of FY27 new wins, while Kerjaya Prospek Group Bhd had secured RM2.4bil of FY26 jobs.

The more important change is that Malaysian contractors now have two major sources of growth: the familiar government-led cycle of railways, highways, water and utilities, and the private-sector build-out of DCs and advanced industrial facilities.

Leong's assessment captures the shift neatly: DCs are an incremental growth engine, not a substitute for traditional construction.

That may be the new construction playbook.

The DC boom, in other words, may not mark the end of traditional infrastructure. It could become one of the forces that keeps Malaysia's wider construction cycle growing.