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## Rising costs, regulation fuel strategic consolidation in data centre sector

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KUALA LUMPUR: Malaysia's rapidly growing data centre sector is now entering a consolidation phase, a natural progression observed in more mature markets, according to global commercial real estate firm JLL.

JLL Malaysia data centre transactions, capital markets manager Sum Chun Kit said this transition would favour high-quality operators over speculative players as cost and regulatory pressures mount.

"This is a healthy trend in a maturing market. Rising costs across the development chain, including water and electricity tariffs, are expected to increase by 10 per cent to 20 per cent.

"These pressures would filter out players who are not optimising efficiency," he said during JLL's Second Quarter (2Q) 2025 Mar-

ket Dynamics Report briefing.

He noted that higher utility charges, while challenging, could ultimately benefit the broader ecosystem.

"Charging higher tariffs allows energy providers like Tenaga Nasional Bhd to recover more revenue and reinvest in infrastructure upgrades, leading to better stability and service for all users," Sum said.

Other cost pressures include rising land prices, construction materials, and tighter regulations involving authority approvals, as well as the expanded scope of the sales and service tax.

Moving forward, Sum expected the consolidation trend to continue, especially for operators unable to demonstrate efficient use of water and power, among the two critical resources for data centres.

Despite this, demand for data centres remains strong in key areas, with continued interest around Johor Bahru, established hubs in the Klang Valley, and emerging zones such as Nilai and Port Dickson in Negeri Sembilan.

"Like any business or real estate sector, the data centre market also moves through cycles. What we are seeing now is part of that natural evolution," he said.

Meanwhile, JLL Malaysia research and consultancy head Yulia Nikulicheva said that strategic partnerships with local authorities are increasingly important in expediting infrastructure upgrades and project approvals.

"Malaysia's data centre market is in a consolidation phase, backed by solid numbers — 638 megawatts (MW) of completed

capacity, 1,300 MW under construction, and over 3,450 MW in the pipeline," she said.

At the same event, JLL Malaysia also launched the Malaysia Property Intelligence Centre (MPIC) — an interactive analytics platform aimed at transforming how industry players access, visualise, and interpret real estate data.

"In today's fast-paced real estate environment, access to accurate, real-time market intelligence is essential, not optional.

"MPIC transforms raw data into strategic insights, giving our clients a decisive edge in an increasingly complex marketplace," Nikulicheva said.

MPIC will be rolled out in phases, beginning with the commercial office sector and expanding into other key real estate segments over time. — Bernama