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Private-sector investments to buoy building sector in 2H26

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PETALING JAYA: BIMB Securities Research remains positive on the construction sector heading into the second half of 2026, maintaining its “overweight” call on expectations that robust private-sector investments, particularly in data centres (DCs), industrial and logistics developments, will continue to underpin earnings despite delays in major public infrastructure projects.

The research house said quality contractors continue to pull ahead, favouring Gamuda Bhd, Sunway Construction Group Bhd (SunCon) and Kerjaya Prospek Group Bhd for their sustainable earnings growth and strong order book visibility.

“While cost inflation and delays in public infrastructure rollout may create near-term earnings dispersion, we believe contractors with strong execution capability, healthy balance sheets and meaningful exposure to structural growth themes will continue to outperform,” it added.

While the rollout of projects such as the Penang LRT, Johor Baru elevated ART system and MRT3 Circle Line has been slower than expected, private-sector developments have more than compensated for the delays, the research house said.

The research house noted that contractors with meaningful exposure to hyper-scale DCs continued to outperform, led by SunCon, which delivered strong execution and resilient margins during the latest earnings season.

Gamuda is also expected to benefit from sustained progress in domestic infrastructure works and ongoing DC construction projects, with earnings momentum likely to strengthen as recently secured overseas projects gain traction.

BIMB Research also pointed to the geographical expansion of DC investments beyond Johor and the Klang Valley into Negri Sembilan and Perak, creating fresh opportunities for contractors.

Beyond building works, the DC boom is driving demand for supporting infrastructure, including Tenaga Nasional Bhd’s RM43bil grid modernisation programme and various transmission-related projects.

Water infrastructure is another emerging growth area, with multiple treatment plant and water supply projects planned across Penang, Selangor, Johor and Perak.

On costs, the report said inflationary pressures have eased from peak levels. Industrial diesel prices have fallen significantly from previous highs, while concrete and steel prices have moderated. As a result, BIMB Research believes margin pressures remain manageable, particularly for contractors with strong procurement capabilities.