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Data centre investment momentum remains strong

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KUALA LUMPUR: Malaysia's data centre (DC) investment momentum remains strong amid geopolitical risks, with industry players and suppliers reporting sustained demand from hyperscalers and colocation providers, and planned investments largely unchanged, said RHB Investment Bank (RHB IB).

In a note, the investment bank said the strong demand for artificial intelligence-related workloads remained a key structural tailwind, easing supply chain concerns and potentially higher build-out costs.

It added that the country could also benefit from DC portfolio rebalancing and geopolitical diversification, as rising concerns about the security of DC infrastructure assets, coupled with persistent supply chain vulnerabilities, could catalyse a rebalancing away from West Asia towards

South East Asia.

"Malaysia is a natural beneficiary of this potential shift, given its position as a strategic DC hub with US-based hyperscalers already developing new cloud regions.

"On top of the competitive land and energy economics, political stability and a strong policy framework further support and strengthen Malaysia's attractiveness as a preferred DC destination," it said.

The bank said DC economics in the country remained favourable despite rising energy costs and tighter supply chains, supported by cost advantages and pricing models.

"With over three gigawatts of DC supplies projected into 2030, a staggering RM90 billion in construction value awaits contractors," it said.

It added that Malaysia's regulated electricity tariffs were among the most com-

petitive in the region, with DC operators expected to incur an average tariff of about US\$0.17 per kilowatt-hour (US\$1=RM3.95) even under elevated coal prices, while additional water supply coming on stream was sufficient to meet DC demand, particularly in key hotspots.

For sector picks, it preferred Gamuda Bhd and Sunway Construction Group Bhd within the construction space, underpinned by their strong data centre order books and proven execution track records.

For energy exposure, RHB IB favoured Tenaga Nasional Bhd, supported by electricity demand growth driving capital expenditure and regulated earnings expansion, while Telekom Malaysia Bhd was its top telecommunications pick, backed by its extensive fibre backhaul, submarine cable assets and direct exposure to rising colocation demand. -Bernama