

Construction sector on track for best year since 2016 — RHB



KUALA LUMPUR (Dec 4): The construction sector in Malaysia is set to achieve its strongest year since 2016, driven by a surge in project roll-outs from both the public and private sectors, analysts from RHB said.

According to RHB in a note, the sector recorded RM183.7 billion worth of construction projects awarded in the first 11 months of 2024 (11M2024), a 20% year-on-year increase, which “sets the sector to be of the highest annual value since 2016, when RM241 billion worth of contracts were dished out”.

“Contractors should continue booking in better progress billings, as evident from the RM41 billion total value of work done — the highest on record,” the research house noted.

RHB, which maintained its 'overweight' stance on the sector, cited third-quarter results that came in line with expectations. Out of 10 companies under its coverage, seven were in line and three fell below estimates.

Top picks for the sector include Gamuda Bhd (KL:[GAMUDA](#) ASK **EDGE**), with a target price (TP) of RM10.52, Kerjaya Prospek Group Bhd (KL:[KERJAYA](#) ASK **EDGE**), with a TP of RM2.67, and Southern Cable Group Bhd (KL:[SCGBHD](#) ASK **EDGE**), with a TP of RM5.50, which are well positioned to benefit from steady contract flows and solid earnings visibility over the next two years.

Most major contractors are now moving up the value chain to undertake more sophisticated jobs, such as data centres and industrial facilities, instead of property building projects, and according to RHB, this transition opens the door for medium-sized players like Vestland Bhd (KL:[VLB](#) ASK **EDGE**) and Inta Bina Group Bhd (KL:[INTA](#) ASK **EDGE**) to capture opportunities in property-related projects as the residential overhang eases.

The sector's growth is expected to be further fuelled by upcoming megaprojects, including the Mass Rapid Transit 3 roll-out planned for 2027, the Penang Light Rail Transit, the RM6.2 billion West Ipoh Span Expressway, the RM1.6 billion Penang Airport expansion, and the Sarawak deep-sea port project, valued at RM25 billion to RM30 billion.

Non-residential construction prospects are also bright, with 11.3 million sq ft of warehousing and logistics space expected to enter the market by 2027, from the 55.3 million sq ft available in the first half of 2024, according to Savills Malaysia.

Additionally, Malaysia's growing prominence as a data centre hub could bring in RM29 billion to RM34 billion in related construction jobs, fuelled by a committed information technology supply of 766.9 MW, as reported by DC Byte.

However, analysts cautioned about potential downside risks, including unexpected project delays, labor shortages, and geopolitical challenges, such as Malaysia's alleged role in facilitating China's access to restricted semiconductor technology.

Likewise, government projects awarded in 11M2024 have reached a total value of RM51.5 billion, surpassing the previous record of RM50.6 billion set in 2016, indicating that public-sector awards are also picking up, said RHB.