

Golden Year Ahead For Construction Sector With RM200 Billion Worth Projects



Construction sector in Malaysia

RHB Investment Bank Bhd (RHB Research) has reiterated its **OVERWEIGHT** call on the construction sector, citing robust job flow trends and steady project rollouts projected for 2025. The research house highlighted Gamuda Bhd, Sunway Construction Bhd and Kerjaya Prospek Bhd as its top picks due to the companies' strong earnings visibility and solid contract pipelines.

The total value of construction projects awarded in 2024 reached RM199 billion, the highest in eight years. RHB Research expects this momentum to continue, driven by the Works Ministry's forecast of RM200 billion construction spending for 2025. Of this, RM88 billion is expected to come from the government budget, RM32 billion from government-linked companies and RM80 billion from private sector initiatives.

Major infrastructure projects are anticipated to underpin the sector's growth. Among them are the Penang Light Rail Transit (LRT) with an estimated value of RM8–RM12 billion, the reinstatement of five LRT 3 stations worth RM1.5–RM2 billion, and the Sarawak Northern Coastal Highway, valued at RM6 billion. Additionally, the Department of Irrigation and Drainage has approved 43 high-priority flood mitigation projects worth RM10.5 billion. The Cabinet's allocation of RM2.5 billion for the National Non-Revenue Water Programme, set to run from 2025 to 2030, further solidifies the sector's growth trajectory.

In the industrial sub-sector, Gamuda's acquisition of 157ha in Negeri Sembilan for data centre infrastructure highlights a growing trend beyond Selangor and Johor. Knight Frank estimates Malaysia's future data centre supply, under construction and committed, to deliver 1.3 gigawatts of IT capacity. Assuming half of this is committed, the potential job value for contractors could reach RM19.5 billion, based on an average construction cost of RM30 million per megawatt.

RHB Research argues that the sector remains attractive, bolstered by developments like the Johor-Singapore Special Economic Zone and public-private partnership projects such as the West Ipoh Span Expressway and the Juru-Sungai Dua Elevated Highway in Penang.

Potential catalysts for the sector include increased foreign direct investment inflows, which could spur demand for industrial buildings, and updates on projects like the Johor Bahru LRT or Autonomous Rapid Transit system. However, the research house cautioned that unexpected delays in job rollouts, project cancellations or labour shortages could pose downside risks.