

Sustained upcycle likely for building sector

Steady private investment, broadening project mix a win

CONSTRUCTION

PETALING JAYA: The outlook for the construction sector appears positive this year, supported by rising earnings visibility, steady private investment and a broadening mix of infrastructure and specialised projects.

Faster progress billings and improving margins are expected to underpin profitability, reinforcing expectations of a sustained sector upcycle.

According to analysts, the optimistic outlook is anchored on identifiable structural drivers rather than a single mega-project, with multiple subsectors expected to contribute to order-book growth and profitability.

Maybank Investment Bank Research (Maybank IB) posits five investment themes for the construction sector this year.

"They are the Johor-Singapore Special Economic Zone (JS-SEZ); industrial parks; second 'wave' of data centre jobs and subcontracting of mechanical, electrical and plumbing jobs; renewable energy (RE) assets; and water assets," the brokerage said.

The JS-SEZ is seen as the earliest catalyst, translating approved investments into on-the-ground construction, particularly in Johor.

"We believe that Southern Cable Group Bhd (SCGB) is best positioned to capitalise on any growth in construction activity in Johor," Maybank IB said.

It noted the company's exposure spans data centres, Rapid Transit System or RTS packages and a transit-oriented development, underpinned by two local precast plants that allow faster and more economical execution.

Despite this positioning, SCGB is rated

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Maybank Investment Bank Research

"hold", with the research house noting it is "pending more consistent job wins".

Industrial development forms the second theme, driven by the 13th Malaysia Plan or 13MP.

Data centres underpin the third theme, both through new builds and downstream subcontracting.

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It added that capacity growth has been rapid, with total GW capacity more than doubling in just over a year.

The fourth theme centres on renewable energy or RE assets required to power these facilities.

"In 2025, the back-to-back introduction of large-scale solar five (LSS5) and LSS5+, each with a 2GW quota, represented the largest ever 4GW annual solar capacity rollout in Malaysia's history and is expected to generate RM12bil worth of job win opportunities," Maybank IB said.

With LSS6 incorporating mandatory battery energy storage systems, Maybank IB

estimates RM18bil to RM20bil of opportunities over 2025-2027, favouring solar engineering, procurement, construction and commissioning players Solarvest Holdings Bhd, Pekat Group Bhd and BM Greentech Bhd.

On water assets, Maybank IB said water reserve margin of states hosting data centres, especially Johor and Selangor, are coming under immense pressure, hence growth in this area.

Meanwhile, UOB Kay Hian (UOBKH) Research echoes the constructive stance.

"The Malaysian construction sector is poised to outperform in 2026, with an estimated earnings growth of 15% to 18% in 2026 underpinned by accelerated progress billing and improved profit margins," the brokerage said.

It maintained its "overweight" stance on the sector, naming Gamuda Bhd, Sunway Construction Group Bhd and Kerjaya Prospek Group Bhd as top picks.

"The sector upcycle is well supported by industry statistics such as rising order-book replenishments, value of construction work completed and strong tender-book from both public infrastructure and private job flows," UOBKH Research said.