

Construction Overweight

Bursa Malaysia Construction Index performance



Source: RHB Research, Bloomberg

GOVERNMENT projects awarded in 9M'24 were valued at RM41 billion – surpassing 2023's RM36.7 billion. Well-flagged projects include Penang Light Rail Transit (LRT) (ground breaking in December), Pan Borneo Highway Sabah Phase 1B (cost: RM15 billion, with two final packages yet to be awarded) and whether or not an LRT or Autonomous Rapid Transit System will be implemented in Johor Bahru. Hence, we believe that water-related infrastructure may bring new additional opportunities for contractors. Projects include the Sungai Damansara flood mitigation project and the RM4 billion allocated for water management in Perak, which includes providing treated water to Penang.

The overhang in industrial properties declined in H1'24 to 746 units (H1'23: 819 units) – coinciding with the 23% YoY jump in industrial property transactions to RM13.5 billion in H1'24 (H1'23: RM10.9 billion). Likewise, the number of industrial properties under construction grew to 621 in H1'24 (H1'23: 397) – not only exceeding that of 2022 and 2023, but is more than half of what was recorded over 2017-2021.

Value of contracts awarded to non-residential sub-sector [comprising commercial buildings, factories, warehouses and data centres (DC)] of RM109 billion for 9M'24 has exceeded the 2023 (full-year) value of RM83.5 billion. The DC investment cycle is still ongoing with a new planned DC in Delapan, Kedah over 30 acres of land. Moreover, there is around 766.9MW of IT supply of DCs committed in Malaysia, according to DC Byte.

Top Picks include Gamuda, Sunway Construction and Kerjaya Prospek. – **RHB Research, Oct 16**