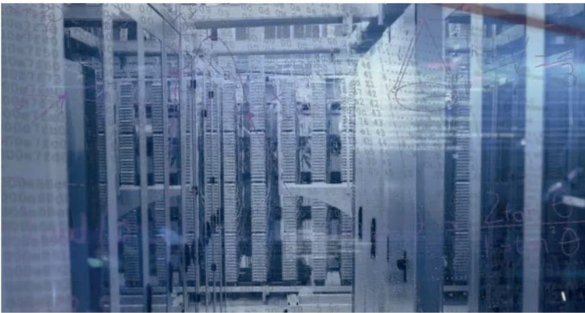


## Broader Impact Of AI Development Could Catalyst Construction Growth

February 3, 2025



RHB Investment Bank Bhd (RHB Research) has maintained its **OVERWEIGHT** call on the construction sector, with Gamuda Bhd, Kerjaya Prospek Bhd and Sunway Construction Bhd (SunCon) as top picks. The research house highlighted that despite concerns over advancements in artificial intelligence (AI) which could potentially reduce the demand for data centres (DCs), the broader impact of AI development could catalyse the industry's growth.

RHB Research noted that DeepSeek's large language model, which claims to have been trained at just US\$5.6 million, is a fraction of the billion-dollar investments seen in the US. While this suggests efficiency gains in AI model training, it does not necessarily translate into a significant reduction in the need for DCs. Instead, AI models could become 30% more efficient, meaning they would generate more power rather than require fewer resources.

The research house highlighted that Jevon paradox could be at play, where increased efficiency leads to greater overall consumption rather than reduced demand. Given that one of the main barriers to AI adoption in large corporations has been its high operational costs, greater efficiency could accelerate adoption rates.

Supporting this view, RHB Research pointed to Meta Platforms Inc and Microsoft Corp, which have reaffirmed their plans to invest US\$80 billion and US\$65 billion, respectively, into AI-related hardware and DCs in 2025. The tech giants have defended these investments, arguing that continued spending is crucial to remaining competitive in AI development.

With major global tech firms maintaining their investment strategies, RHB Research believes the outlook for Malaysian DC builders remains intact. The research house noted that Gamuda and SunCon's order books are largely tied to multinational clients from Tier-1 countries, including the US, the UK and the Netherlands, which are eligible for the universal validated end-user status. Meanwhile, Kerjaya Prospek could benefit from the potential entry of more DC providers into Malaysia, creating additional opportunities for contractors.

Malaysia remains an attractive hub for DC investments due to its cost competitiveness in land, labour and electricity, as well as its proximity to Singapore. RHB Research expects that as AI services become more accessible and affordable, demand for the necessary infrastructure will continue to expand.

However, RHB Research cautioned that uncertainties remain, particularly with US President Donald Trump having a 120-day window to review AI chip restrictions. Any significant adverse policy changes could impact the valuation of key DC contractors. RHB Research suggested that US chipmakers and policymakers' potential policy reversals or adjustments in AI chip restrictions could serve as rerating catalysts for the sector.