

ROBUST DATA CENTRE INVESTMENTS

RHB Research stays 'overweight' on construction sector



KUALA LUMPUR: Malaysia continues to attract data centre investments due to its competitive advantages in land, labour, electricity cost and close proximity to Singapore.

RHB Investment Bank Bhd (RHB Research) said as artificial intelligence (AI)-enabled services are likely to expand over time, driven by improved affordability and efficiency, the demand for supporting infrastructure is expected to rise accordingly.

"Hence, data centre investments may continue coming on the assumption that Jevons paradox materialises in light of potential AI democratisation," it said.

RHB Research said the outlook for data centre developers is expected to remain strong.

"With tech giants staying put on AI investments, we think Gamuda Bhd and Sunway Construction Bhd's data centre order book and tender book will not face substantial scale-downs, as most of their clients are multinational corporations from Tier One countries such as the United States, the United Kingdom and the Netherlands which are eligible for the universal validated end-user status," it said.

RHB Research highlighted that AI adoption, driven by its democratisation, could benefit contractors involved in data centre construction, as more data centre providers could enter Malaysia, creating job opportunities for contractors.

"Notwithstanding the above, we acknowledge the risks stem-

ing from the lingering uncertainty with US President Donald Trump having a 120-day window to comment on the AI chip restrictions.

"Any major adverse impact may warrant a change in valuation multiples for key data centre contractors later on," it said.

RHB Research said potential re-rating catalysts include the possibility of US microchip makers and policymakers reversing or easing AI chip restrictions.

RHB Research has reiterated its "overweight" rating on the construction sector, naming Gamuda, Kerjaya Prospek Bhd and Sunway Construction as its top picks.

"We envisage DeepSeek's advancement could catalyse the data centre industry as a whole."