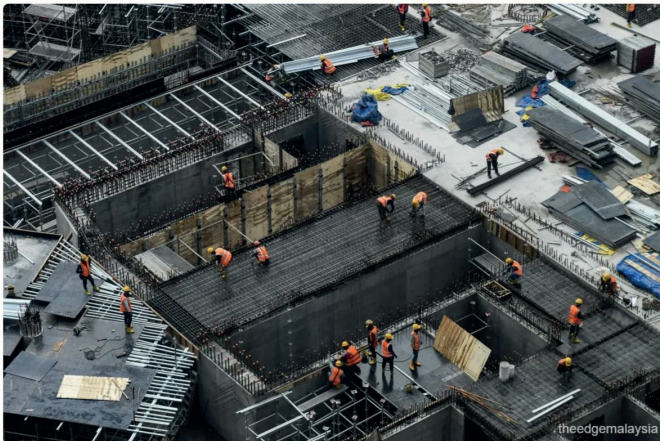


## Sector Of The Year: Positive momentum in construction sector expected to continue in 2025

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THE Kuala Lumpur Construction Index (KLCON) had shot up 59% to 305.27 points as at Dec 20. This was the index's biggest annual increase in its 31-year history.




KLCON's valuation had risen from a 10-year average of 13 times to 17.8 times. The keen interest in construction stocks, driven by data centre investments and regional expansion, is well reflected by the index.

A number of construction companies saw their share price more than double in 2024.

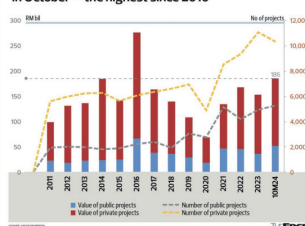
Gamuda Bhd's (KL:[GAMUDA](#) ) share price doubled to RM4.62 while that of Sunway Construction Group Bhd (KL:[SUNCON](#) ) rallied 146% to RM4.65. Binastra Corp Bhd's stock (KL:[BNASTRA](#) ) had surged 165% since the start of 2024 to RM1.75.

Eversendai Corp Bhd (KL:[SENDAI](#) ) led the pack when it came to share price movements as the counter had appreciated more than 267% to 60.5 sen.

Other major construction groups also had a great year, with their share price increasing substantially. IJM Corp Bhd's (KL:[IJM](#) ) share price had increased almost 58.5% year to date (YTD) to RM2.90, while that of WCT Holdings Bhd (KL:[WCT](#) ) was trading 85% higher at 91.5 sen.

Kerjaya Prospek Group Bhd (KL:[KERJAYA](#) ) was not that far behind. Its share price leaped more than 50% YTD to RM2.20, while smaller-cap builders Inta Bina Group Bhd (KL:[INTA](#) ) and GDB Holdings Bhd (KL:[GDB](#) ) rose more than 80%.

Total value of projects awarded surged to RM186 bil in October — the highest since 2016



### Can the momentum be sustained in 2025?

"Though we do not discount a momentary correction, as institutional investors are likely to exercise some profit-taking, we expect certain players to gain on a consistent stream of new project wins in the year ahead," says AmlInvestment Bank in a Dec 16 research note.

According to the research house, the construction sector's contribution to the gross domestic product (GDP) would breach the RM60 billion mark in 2024 — the first time since 2019. This segment is largely driven by the private sector, particularly data centres, industrial properties and mixed-use high-rise residential property developments, as public mega infrastructure projects take a backseat, it says.

Nevertheless, AmlInvestment Bank does not expect a similar pace of growth for the sector in 2025. But in terms of absolute value, its contribution to GDP will still be higher in 2025.

"In fact, we are starting to see a sequential moderation as it fell 10.6 percentage points quarter on quarter to 6.7% in 3Q2024 — in line with the completion of multiple public infrastructure works, including the LRT3 and Pan Borneo Highway Sarawak," it says.

"Additionally, 2025 will be set against a higher base as data centre awards appear to have normalised at current levels, in our observation. However, it will still register at a higher level on an absolute basis."

AmlInvestment Bank has upgraded its call on SunCon to a "buy" from a "hold", with a target price of RM5.25. The research house sees more upside potential for SunCon as its valuation still appears "digestible".

"We like the group as it is the best proxy for the data centre theme with further prospects from warehousing and semiconductor facilities — all of which will continue to see the highest foreign direct investment in years," it says.

According to the Department of Statistics Malaysia (DOSM), the value of work done in the construction sector reached RM41.1 billion in the third quarter of 2024 (3Q2024), or 22.9% year-on-year growth, primarily driven by a 42.6% expansion in the special trade activities subsector.

The pace of growth accelerated in 3Q2024 from 20.2% in 2Q2024. Growth has been gaining pace since 4Q2023 across almost all subsectors, except for civil engineering.

For the first nine months of the year, the value of work done totalled RM116.76 billion, compared with RM98.01 billion in the previous corresponding period, translating into a y-o-y growth of 19.13%, according to DOSM data.

There will be more focus on public-private partnership (PPP) projects as the government takes a disciplined approach to capital infrastructure spending through development expenditure (devex). Under Budget 2025, it allocated a lower devex of RM86 billion, compared with the RM96 billion allocated in 2024.

However, total construction sector project spending could reach RM200 billion in 2025, according to Deputy Minister of Works Datuk Seri Ahmad Maslan. On top of the government's devex, an estimated RM32 billion is expected to be implemented by government-linked companies and government-linked investment companies, he said.

Meanwhile, the private sector is expected to spend RM80 billion on projects in 2025, the minister was quoted as saying by the media in mid-December.

The government aims to generate RM78 billion worth of PPP investments across 17 key initiatives by 2030, according to the PPP Master Plan 2030.

Major projects that are expected to be awarded over the next two to three years include the Penang light rail transit (LRT) project, the contract value of which could be more than the estimated RM10.3 billion, according to Minister of Transport Anthony Loke; the RM6.1 billion Northern Coastal Highway in Sarawak; the RM5.6 billion Sabah-Sarawak Link Road Phase 2 between Mulu and Long Seridan in Miri; the RM4.4 billion Pan Borneo Sabah Phase 1B; and the RM4 billion Sungai Perak Raw Water Transfer project.

"Alongside other advanced technology facilities (ATFs), we posit that the 'Big Three' construction companies — Gamuda, IJM and SunCon — will continue to thrive on the mushrooming of data centres (DCs) in Malaysia. The first two companies have leveraged their digital expertise and Industrialised Building System (IBS) facilities to secure high-value jobs from time-sensitive hyperscalers, while SunCon has already amassed RM2.7 billion worth of DC contracts YTD," CIMB Securities says in a Dec 16 report.

The research house has "buy" calls on Gamuda, IJM, WCT, Econpile Holdings Bhd (KL:[ECONBHD](#) ) and Muhibbah Engineering Bhd (KL:[MUHIBAH](#) ) and Malaysian Resources Corp Bhd (KL:[MRRCB](#) ) . It puts Gamuda's target price at RM5.50 and IJM's at RM3.80.

CIMB Securities anticipates a sustained order flow from the four new highways announced under Budget 2025, plus renewable energy and climate change-related projects, including flood mitigation works.

The value of projects awarded increased to RM186 billion as at end-October, compared with RM153 billion for the whole of 2023. This value is the highest since 2016, according to CIMB Securities.

"As a result, we expect contract momentum to remain robust and the sector's core earnings to grow 25.2% y-o-y in 2025, underpinned by a re-acceleration of large public infrastructure jobs from 4Q2024 onwards," says the research house.